State of California

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

BETTY T. YEE

California State Controller's Office

STATE OF CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2015

Prepared by
The Office of the State Controller

BETTY T. YEE
California State Controller

Contents

INTRODUCTORY SECTION

California State Controller's Transmittal Letter iii
Certificate of Achievement for Excellence in Financial Reporting ix
Principal Officials of the State of California x
Organization Chart of the State of California xi

FINANCIAL SECTION

Independent Auditor's Report 2
Management's Discussion and Analysis 5

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position 30
Statement of Activities 34

FUND FINANCIAL STATEMENTS

Balance Sheet – Governmental Funds 38
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 40
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 42
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 44
Statement of Net Position – Proprietary Funds 46
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds 50
Statement of Cash Flows – Proprietary Funds 52
Statement of Fiduciary Net Position – Fiduciary Funds and Similar Component Units 56
Statement of Changes in Fiduciary Net Position – Fiduciary Funds and Similar Component Units 57

DISCRETELY PRESENTED COMPONENT UNITS FINANCIAL STATEMENTS

Statement of Net Position – Discretely Presented Component Units – Enterprise Activity 60
Statement of Activities – Discretely Presented Component Units – Enterprise Activity 64

NOTES TO THE FINANCIAL STATEMENTS

Notes to the Financial Statements – Index 67
Notes to the Financial Statements 71

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net Position Liability and Related Ratios 164
Schedule of State Pension Contributions 172
Schedule of the State's Proportionate Share of Net Pension Liability – CalSTRS 175
Schedule of the State's Contributions – CalSTRS..... 175
Schedule of Funding Progress 176
Infrastructure Assets Using the Modified Approach 176
Budgetary Comparison Schedule – General Fund and Major Special Revenue Funds 180
Reconciliation of Budgetary Basis Fund Balances of the General Fund and the Major Special Revenue Funds to GAAP Basis Fund Balances 183
Notes to the Required Supplementary Information 183

COMBINING FINANCIAL STATEMENTS AND SCHEDULES – NONMAJOR AND OTHER FUNDS

Nonmajor Governmental Funds 189
Combining Balance Sheet 192
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 196
Budgetary Comparison Schedule – Budgetary Basis 200
Internal Service Funds 201
Combining Statement of Net Position 202
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position 206
Combining Statement of Cash Flows 208
Nonmajor Enterprise Funds 213
Combining Statement of Net Position 214
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position 216
Combining Statement of Cash Flows 217
Private Purpose Trust Funds 219
Combining Statement of Fiduciary Net Position 220
Combining Statement of Changes in Fiduciary Net Position 221
Fiduciary Funds and Similar Component Units – Pension and Other Employee Benefit Trust Funds 223
Combining Statement of Fiduciary Net Position 226
Combining Statement of Changes in Fiduciary Net Position 228
Agency Funds 231
Combining Statement of Fiduciary Assets and Liabilities 232
Combining Statement of Changes in Fiduciary Assets and Liabilities 234
Nonmajor Component Units 237
Combining Statement of Net Position 238
Combining Statement of Activities 242

STATISTICAL SECTION

Financial Trends 247
Schedule of Net Position by Component 248
Schedule of Changes in Net Position 250
Schedule of Fund Balances – Governmental Funds 254
Schedule of Changes in Fund Balances – Governmental Funds 256
Revenue Capacity 259
Schedule of Revenue Base 260
Schedule of Revenue Payers by Income Level/Industry 264
Schedule of Personal Income Tax Rates 266
Debt Capacity 269
Schedule of Ratios of Outstanding Debt by Type 270
Schedule of Ratios of General Bonded Debt Outstanding 272
Schedule of General Obligation Bonds Outstanding 274
Schedule of Pledged Revenue Coverage 275
Demographic and Economic Information 279
Schedule of Demographic and Economic Indicators 280
Schedule of Employment by Industry 282
Operating Information 283
Schedule of Full-time Equivalent State Employees by Function 284
Schedule of Operating Indicators by Function 286
Schedule of Capital Asset Statistics by Function 290
Acknowledgements 294

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Introductory Section

BETTY T. YEE

California State Controller

BETTY T. YEE
California State Controller

March 18, 2016

To the Citizens, Governor, and Members of the Legislature of the State of California:

I am pleased to submit the State of California's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. This report meets the requirements of Government Code section 12460 for an annual report prepared strictly in accordance with accounting principles generally accepted in the United States and contains information to help readers gain a reasonable understanding of the State's financial activities.

California ended the fiscal year with total General Fund revenues of $116.8 billion, a $12.6 billion increase compared to the prior year. Leading the surge, personal income tax accounted for $9.3 billion, or 74%, of that increase. For the fiscal year ended June 30, 2015, the cash balance of $5.8 billion in the General Fund represents approximately 20 days of General Fund operating expenditures for the State compared to 16 days in the prior year.

During fiscal year 2015, the State implemented the pension-related Governmental Accounting Standard Board (GASB) Statements, which significantly revised accounting and reporting for pension costs and liabilities. GASB statements are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When evaluating the net pension liability, please keep in mind that the State's pension obligation has existed since 1931. Pension obligations are part of the employment exchange between the State and its employees. In other words, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. Furthermore, due to provisions in the Education Code, the State also contributes a significant amount to teachers' pensions, which adds to these obligations. The unfunded portion of these pension promises are a present-day obligation of the government, part of a bargained for benefit to the employee, and must be reported by the State as a liability since it received the benefit of the employee's service. As a result of implementing these standards, the primary government is reporting a net pension liability of $63.7 billion at June 30, 2015. Similar standards will be implemented in 2017-18 for other postemployment benefits, primarily retiree health care.

I would like to thank all government agencies for their support and cooperation in submitting the required information for the CAFR. Credit is also due the California State Auditor and her audit staff for their continued support and for maintaining the highest standards of professionalism in the management of the State's finances. And finally, I wish to thank my entire staff for their skill, effort, and dedication in completing this financial report.

Sincerely,

Original signed by:

BETTY T. YEE
California State Controller

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Report Overview

The State's management assumes responsibility for the accuracy, completeness, and fairness of information presented in the CAFR, including all disclosures, based upon a comprehensive framework of internal controls established for this purpose. The internal control structure is designed to provide reasonable, but not absolute, assurance that the financial statements are free of material misstatements. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Legislature and Governor.

The California State Auditor has issued an unmodified opinion on the financial statements for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States.

The State of California also is required to undergo an annual single audit in conformity with the provisions of the United States Office of Management and Budget's Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. This report is issued separately.

The Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and contains an introduction, overview, and analysis of the financial statements. The MD&A also contains information regarding California's economy for the year ended June 30, 2015, and its economic performance as of December 31, 2015, for the 2015-16 fiscal year. The MD&A complements this transmittal letter and should be read in conjunction with it.

Profile of the State of California

The State of California was admitted to the Union on September 9, 1850. The State's population, as of 2015, is estimated to be more than 39 million residents. The State's government is divided into three branches: Executive, Legislative, and Judicial. Executive power is vested in the Governor. Other members of the Executive branch include the Lieutenant Governor, Attorney General, Secretary of State, State Treasurer, State Controller, Insurance Commissioner, and the State Superintendent of Public Instruction. All officers of the Executive branch are elected to a four-year term. The Legislative branch of government is the State's law-making authority and is made up of two houses: the Senate and the Assembly. The Judicial branch is charged with interpreting the laws of the State. It provides settlement of disputes between parties in controversy, determines the guilt or innocence of those accused of violating laws, and protects the rights of Californians.

California's government includes control agencies that help to regulate internal governmental operations. The State Controller's Office, the State's independent fiscal watchdog, ensures that the State's budget is spent properly, offers fiscal guidance to local governments, reports on the State's financial position, and uncovers fraud and abuse of taxpayer dollars. The Department of Finance, part of the Executive branch of government, establishes fiscal policies to carry out the State's programs and serves as the Governor's chief fiscal policy advisor. The California State Auditor promotes the efficient and effective management of public funds through independent evaluations of state and local governments.

The State of California provides a wide range of services to its citizens, including social, health, and human services; kindergarten through 12th grade (K-12) and higher education; and business and transportation, consumer services, general government, and correctional programs. The State also is

financially accountable for legally separate entities (component units) that provide post-secondary education programs, promote agricultural activities and financial assistance to small business, and finance coastal and inland urban waterfront restoration projects. The State, through its related organizations (organizations for which the primary government is not financially accountable), provides services such as the operation of the statewide energy transmission grid; earthquake insurance for homeowners and renters; workers' compensation insurance; health insurance for individuals, families, and employees of small businesses; financing for pollution control facilities, and for acquiring, constructing, and equipping health facilities; and loans to students attending public and private nonprofit colleges and universities. The financial information of these institutions is not included in the State's financial statements.

The State Legislature approves an annual budget that contains estimates of revenues and expenditures for the ensuing fiscal year. This budget is the result of negotiations between the Governor and the Legislature. The State Controller's Office is statutorily responsible for controlling revenues due the primary government and for expenditures of each appropriation contained in the budget. The State's annual budget is submitted by the Governor no later than January 10 preceding the beginning of the fiscal year on July 1, and must be approved by the Legislature by June 15 each year. This annual budget serves as the foundation for the State's financial planning and control. Additional information on the budgetary basis of accounting can be found in Note 2, Budgetary and Legal Compliance, and in the Required Supplementary Information section of the CAFR that follows the Notes to the Financial Statements.

Overview of the State's Economy

California's economy is the eighth-largest in the world, with a 2014 Gross Domestic Product of $2.3 trillion. Within the US, California is ranked third among the 50 states in the 2014 State New Economy Index, an index that evaluates a state's economy based on factors related to innovation and knowledge-based industries. In 2014, California exported $174.1 billion in products. The top five exports were computers and electronic products; transportation equipment; machinery, except electrical; miscellaneous manufactured commodities; and chemicals. California also has one of the finest and most diverse collections of natural, cultural, and recreational resources in the nation, attracting visitors who spent more than $1.7 billion in 2014. California's economy continues to grow and is expected to experience continued improvement over the next few years.

Budget Outlook

2015-16 Fiscal Year

The 2015 Budget Act pays down debt and builds reserves in the rainy day Budget Stabilization Account (BSA) as it implements the first year of Proposition 2. In addition, the Budget Act increases spending on education, health care, in home supportive services, workforce development, drought assistance, and the judiciary. Total General Fund revenues and transfers are estimated to be $115.0 billion, with estimated expenditures of $115.4 billion. The General Fund is also projected to end the 2015-16 fiscal year with $4.6 billion in total reserves—$3.5 billion in the BSA and $1.1 billion reserved for economic uncertainties.

2016-17 Fiscal Year

The Governor released his proposed 2016-17 Budget on January 7, 2016; in it, he restores some previous budget cuts and expands services, but continues to place strong emphasis on building reserves, paying down debt, and restoring and upgrading the State's infrastructure. The Governor's Budget proposes total reserves of $10.2 billion by the end of the 2016-17 fiscal year—$8.0 billion in the BSA, required under Proposition 2, and $2.2 billion in the General Fund's reserve for economic uncertainties.

In addition to building reserves, the Governor's proposed Budget commits spending on the State's infrastructure. It would provide $1.5 billion to replace and renovate state office buildings, and $807 million for statewide deferred-maintenance projects.

Other significant proposals from the Governor's Budget are related to education, with funding of $30.0 billion for higher education. The Budget proposes additional General Fund monies of $125 million for the University of California and $148 million for California State University. Also, consistent with the 2015 funding agreement between the Governor and the University of California, the Budget proposes a one-time expenditure of $171 million from Proposition 2 funds to help pay down the unfunded liability of the University's pension plan.

The Governor's Budget proposal also includes $136.0 billion to fund health and human services programs, including nearly $102.0 billion for Medi-Cal, in-home supportive services, and developmental services, and approximately $34.0 billion for other services and programs.

Long-term Financial Planning

Long-term financial planning initiatives that will impact the State's long-term financial goals include:

- The Governor's 2016 infrastructure plan proposes $36.0 billion over the next ten years to address the most urgent state and local transportation needs, focusing on "fix-it-first" investments to repair and improve neighborhood roads and state highways and bridges. Specifically, the plan proposes $16.2 billion for highway repairs and maintenance; $2.3 billion for trade corridors; $13.5 billion for local roads; and $4.0 billion for transit and intercity rail. Furthermore, the plan proposes $25.2 billion from federal, Cap and Trade, and Proposition 1A bond funds and other sources to meet the High Speed Rail Authority's goals.

- In addressing climate change, the California Global Warming Solutions Act of 2006 (AB 32) set greenhouse gas emission reduction goals for 2020. The Governor's Budget supports these efforts with a $3.1 billion Cap and Trade expenditure plan that will reduce greenhouse gas emissions through programs that support clean transportation, reduce certain climate pollutants, protect natural ecosystems, and benefit disadvantaged communities. In addition, California has experienced four consecutive years of below-average precipitation and unprecedented drought. While the current drought is one of the most severe in California's history, it is not expected to significantly impact any sectors of the state economy except the agricultural sector. The Governor has taken actions to address drought conditions, such as mandating statewide water conservation, facilitating water management where possible, and providing funding for critical water infrastructure projects. The Budget includes a total of $719 million in new General Fund resources to pay for the costs of wildfires and for other effects of the drought.

- The Governor's Budget includes $5.5 billion—$3.2 billion from the General Fund for the State's contributions to the California Public Employees' Retirement System (CalPERS) for state

pension costs. These costs include the third and final phase-in of retirement rates to address the impact of demographic assumptions adopted by the CalPERS Board. The Budget also addresses the unfunded liability at the California State Teachers' Retirement System (CalSTRS), which is currently estimated to be $72.7 billion. The Budget includes $2.5 billion from the General Fund in 2016-17 for CalSTRS. This funding strategy positions CalSTRS on a sustainable path forward, eliminating the unfunded liability in approximately 30 years.

- The State provides health care and dental benefits to retired state employees and their spouses and dependents (when applicable) and almost exclusively uses a "pay-as-you-go" funding policy. These benefits are referred to as "Other Post-Employment Benefits" (OPEB). As reported in the state's OPEB Actuarial Valuation Report, the state has an actuarial accrued liability (AAL) relating to OPEB estimated at $74.2 billion as of June 30, 2015, as compared to an AAL of $71.8 billion estimated as of June 30, 2014. The Governor initiated a comprehensive strategy to eliminate the OPEB unfunded AAL over approximately 30 years with increased prefunding shared equally between state employers and employees. The Governor is pursuing the prefunding strategy, as well as changes to retiree health benefits for new employees, through the collective bargaining process. Statutory language passed as part of the 2015-16 Budget contains the funding policy and framework designed to support the elimination of the unfunded AAL.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of California for its comprehensive annual financial report for the fiscal year ended June 30, 2014. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

Principal Officials of the State of California

Executive Branch

Edmund G. Brown, Jr.
Governor

Gavin Newsom
Lieutenant Governor

Betty T. Yee
State Controller

Kamala D. Harris
Attorney General

John Chiang
State Treasurer

Alex Padilla
Secretary of State

Tom Torlakson
Superintendent of Public Instruction

Dave Jones
Insurance Commissioner

Board of Equalization
George Runner, Member, First District
Fiona Ma, Member, Second District
Jerome E. Horton, Member, Third District
Diane L. Harkey, Member, Fourth District

Legislative Branch

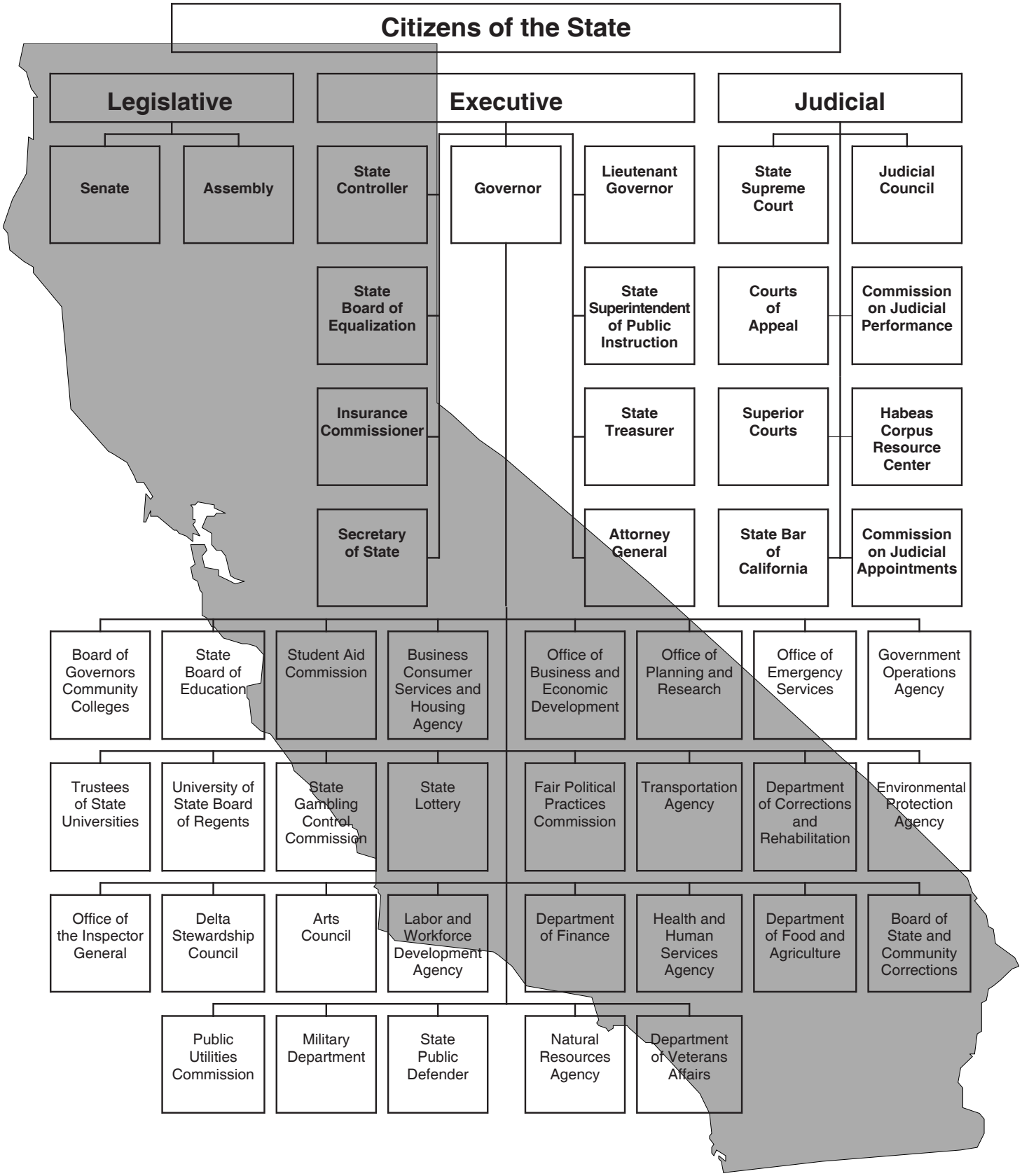
Kevin de León
President pro Tempore, Senate

Anthony Rendon
Speaker of the Assembly

Judicial Branch

Tani Cantil-Sakauye
Chief Justice, State Supreme Court

Organization Chart of the State of California



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Financial Section

Independent Auditor's Report

THE GOVERNOR AND THE LEGISLATURE OF THE
STATE OF CALIFORNIA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following:

Government-wide Financial Statements

- Certain enterprise funds that, in the aggregate, represent 78 percent of the assets and deferred outflows, and 36 percent of the revenues of the business-type activities.
- The University of California and the California Housing Finance Agency that represent 93 percent of the assets and deferred outflows, and 94 percent of the revenues of the discretely presented component units.

Fund Financial Statements

- The Safe Drinking Water State Revolving fund, that represents 16 percent of the assets and deferred outflows, and 5 percent of the additions, revenues, and other financing sources of the Environmental and Natural Resources fund, a major governmental fund.
- The following major enterprise funds: Electric Power fund, Water Resources fund, State Lottery fund, and California State University fund.
- The Golden State Tobacco Securitization Corporation, the Public Building Construction, the Public Employees' Retirement, the State Teachers' Retirement, the State Water Pollution Control, and the 1943 Veterans Farm and Home Building funds, that represent 86 percent of the assets and deferred outflows, and 33 percent of the additions, revenues and other financing sources of the aggregate remaining fund information.
- The discretely presented component units noted above.

The related financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those funds and entities, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Golden State Tobacco Securitization Corporation, the Public Building Construction, the Public Employees' Retirement, the State Lottery, and the 1943 Veterans Farm and Home Building funds were not audited in accordance with *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of California, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 1, the State decreased the beginning net position of the primary government by a net total of $67 billion to reflect the impact of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.*

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United State of America require that a discussion and analysis by management, schedule of changes in net pension liability, schedule of state pension contributions, schedule of funding progress, infrastructure information, budgetary comparison information, reconciliation of budgetary and GAAP-basis fund balances, and related notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have

applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, combining financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from, and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2016 on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

CALIFORNIA STATE AUDITOR

JOHN F. COLLINS II, CPA
Deputy State Auditor

March 11, 2016

Management's Discussion and Analysis

The following Management's Discussion and Analysis is required supplementary information to the State of California's financial statements. It describes and analyzes the financial position of the State, providing an overview of the State's activities for the year ended June 30, 2015. We encourage readers to consider the information we present here in conjunction with the information presented in the Controller's transmittal letter at the front of this report and in the State's financial statements and notes, which follow this section.

Financial Highlights – Primary Government

Government-wide Highlights

California's economic expansion during the 2014-15 fiscal year out-paced that of many other states, and its general revenues surpassed all budget projections, resulting in a healthy financial condition for the year ended June 30, 2015. The State's general revenues increased by $12.7 billion (10.0%) over the prior year. Expenses and transfers for the State's governmental activities also increased but were less than revenues received, resulting in a $13.1 billion increase in the governmental activities' net position, as restated. Total revenues and transfers for the State's business-type activities also surpassed expenses by $2.7 billion in fiscal year 2014-15.

Net Position – Although current year activity reflects a combined $15.8 billion increase in the primary government's net position, net position at the beginning of the year was restated as a result of the recognition of net pension liabilities associated with the implementation of GASB Statements No. 68 and No. 71, *Accounting and Financial Reporting for Pensions* (see Note 1 for further detail). The impact on the primary government's beginning net position as a result of this implementation was a decrease of $67.6 billion—$61.1 billion for governmental activities and $6.5 billion for business-type activities.

The primary government ended the 2014-15 fiscal year with a net deficit position of $41.0 billion. The total net deficit position is reduced by $103.0 billion for net investment in capital assets and by $31.1 billion for restricted net position, yielding a negative unrestricted net position of $175.1 billion. Restricted net position is dedicated for specified uses and is not available to fund current activities.

More than 51% ($89.9 billion) of the negative $175.1 billion consists of unfunded, employee-related, long-term liabilities that are recognized as soon as an obligation has been incurred, even though payment will occur over many future periods (net pension liability, net other postemployment benefit obligations, and compensated absences). Another 38.3% ($67.1 billion) consists of outstanding bonded debt issued to build capital assets for school districts and other local governmental entities. The bonded debt reduces the unrestricted net position; however, local governments, not the State, own the capital assets that would offset this reduction.

Fund Highlights

Governmental Funds – As of June 30, 2015, the primary government's governmental funds reported a combined ending fund balance of $26.1 billion, an increase of $6.3 billion over the prior fiscal year, as restated. The unrestricted fund balance, comprised of committed, assigned, and unassigned balances, was negative $448 million. The nonspendable and restricted fund balances were $59 million and $26.5 billion, respectively.

Proprietary Funds – As of June 30, 2015, the primary government's proprietary funds reported a combined ending net position of $1.2 billion, an increase of $2.8 billion over the prior fiscal year, as restated. The total net position is reduced by $2.5 billion for net investment in capital assets, expendable restrictions of $4.7 billion, and nonexpendable restrictions of $13 million, yielding a negative unrestricted net position of $6.0 billion.

Noncurrent Assets and Liabilities

As of June 30, 2015, the primary government's noncurrent assets totaled $152.5 billion, of which $132.4 billion is related to capital assets. State highway infrastructure assets of $70.7 billion represent the largest portion of the State's capital assets.

The primary government's noncurrent liabilities totaled $214.4 billion, which consists of $78.1 billion in general obligation bonds, $29.4 billion in revenue bonds, $89.9 billion in unfunded employee-related future obligations, and $17.0 billion in other noncurrent liabilities. During the 2014-15 fiscal year, the primary government's noncurrent liabilities increased by $53.4 billion (33.2%) over the previously reported noncurrent liabilities. This net increase includes an increase of $60.5 billion for the difference between the recognition of previously unreported net pension liability and the elimination of previously reported net pension obligation, a decrease of $5.3 billion in mandated cost claims payable, an increase of $3.1 billion in net other postemployment benefits obligation, a decrease of $2.0 billion in loans payable, a decrease of $1.8 billion in general obligation bonds payable, and a decrease of $932 million in revenue bonds payable.

Overview of the Financial Statements

This discussion and analysis is an introduction to the section presenting the State's basic financial statements, which includes four components: (1) government-wide financial statements, (2) fund financial statements, (3) discretely presented component units financial statements, and (4) notes to the financial statements. This report also contains required supplementary information and combining financial statements and schedules intended to furnish additional detail to support the basic financial statements.

Government-wide Financial Statements

Government-wide financial statements are designed to provide readers with a broad overview of the State's finances. The government-wide financial statements do not include fiduciary programs and activities of the primary government and component units because fiduciary resources are not available to support state programs.

The statements provide both short-term and long-term information about the State's financial position to help readers assess the State's economic condition at the end of the fiscal year. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting, similar to methods used by most businesses. These statements take into account all revenues and expenses connected with the fiscal year, regardless of when the State received or paid the cash. The government-wide financial statements include two statements, the Statement of Net Position and the Statement of Activities.

- The *Statement of Net Position* presents all of the State's financial and capital resources in a format in which assets and deferred outflows of resources equal liabilities and deferred inflows of resources, plus net position. Over time, increases or decreases in net position indicate whether the financial position of the State is improving or deteriorating.

- The *Statement of Activities* presents information showing how the State's net position changed during the most recent fiscal year. The State reports changes in net position as soon as the event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, this statement reports revenues and expenses for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the State.

The government-wide financial statements separate into different columns the three types of state programs and activities—governmental activities, business-type activities, and component units.

- *Governmental activities* are mostly supported by taxes, such as personal income and sales and use taxes, and intergovernmental revenues, primarily federal grants. Most services and expenses normally associated with state government fall into this activity category, including general government, education (public kindergarten through 12th grade [K–12] schools and institutions of higher education), health and human services, resources, state and consumer services, business and transportation, correctional programs, and interest on long-term debt.

- *Business-type activities* typically recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business-type activities of the State of California include providing unemployment insurance programs, providing housing loans to California veterans, providing water to local water districts, providing services to California State University students, selling California State Lottery tickets, and selling electric power. These activities are carried out with minimal financial assistance from the governmental activities or general revenues of the State.

- *Component units* are organizations that are legally separate from the State, but are at the same time related to the State financially (i.e., the State is financially accountable for them) or the nature of their relationship with the State is so significant that their exclusion would cause the State's financial statements to be misleading or incomplete. Various types of component units are presented; all are legally separate. However, blended component units function as part of the State's operations. Fiduciary component units are primarily the resources and operations of the California Public Employees' Retirement System and the California State Teachers' Retirement System. Discretely presented component units contain some form of accountability either from or to the State.

Most component units prepare their own separately issued financial statements. For information regarding obtaining the financial statements of the individual component units, refer to Note 1A, Reporting Entity.

Fund Financial Statements

The State of California, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal and contractual requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the State can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- *Governmental funds* are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements. This approach is known as the *flow of current financial resources measurement*

focus and the *modified accrual basis of accounting*. These governmental fund statements provide a detailed short-term view of the State's finances, enabling readers to determine whether adequate financial resources exist to meet the State's current needs.

Because governmental fund financial statements provide a narrower focus than do government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate comparison between governmental funds and governmental activities. Primary differences between the government-wide and fund-based statements relate to noncurrent assets, such as land and buildings, and noncurrent liabilities, such as bonded debt and amounts owed for net pension liability, compensated absences, and capital lease obligations. These amounts are reported in the government-wide statements but not in the fund-based statements.

- *Proprietary funds* show activities that operate more like those found in the private sector. The State of California has two proprietary fund types—enterprise funds and internal service funds.
  - *Enterprise funds* record activities for which a fee is charged to external users; they are presented as business-type activities in the government-wide financial statements.
  - *Internal service funds* accumulate and allocate costs internally among the State's various functions. For example, internal service funds provide public buildings construction, information technology, printing, fleet management, and architectural services primarily for state departments. As a result, their activity is considered governmental.
- *Fiduciary funds* account for resources held for the benefit of parties outside the State. Fiduciary funds and the activities of fiduciary component units are not reflected in the government-wide financial statements because the resources of these funds are not available to support state programs. The accounting used for fiduciary funds and similar component units is similar to that used for trusts.

Discretely Presented Component Units Financial Statements

The State has financial accountability for discretely presented component units, which have certain independent qualities and operate in a similar manner as private-sector businesses. The activities of the discretely presented component units are classified as enterprise activities.

Notes to the Financial Statements

The notes to the financial statements in this publication provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements, which describe particular accounts in more detail, are located immediately following the discretely presented component units financial statements.

Required Supplementary Information

A section of required supplementary information follows the notes to the basic financial statements in this publication. This section includes a schedule of funding progress for certain pension and other postemployment benefit trust funds, information on infrastructure assets based on the modified approach, a budgetary comparison schedule, and a reconciliation of the budgetary basis and the GAAP basis fund balances for the major governmental funds presented in the governmental fund financial statements.

Combining Financial Statements and Schedules

The Combining Financial Statements and Schedules – Nonmajor and Other Funds section presents combining statements that provide separate financial statements for nonmajor governmental funds, nonmajor proprietary funds, fiduciary funds, and nonmajor component units as supplementary information. The basic financial statements present only summary information for these activities.

Government-wide Financial Analysis

Net Position

The primary government's combined net deficit position (governmental and business-type activities) as originally reported at June 30, 2014, decreased by $48.3 billion (or more than 659%) to a negative $41.0 billion a year later, but increased by $15.8 billion (27.8%) when adjusted for restatements. As mentioned previously, the net position at the beginning of the 2014-15 fiscal year was restated as a result of the recognition of the previously unreported net pension liability.

The primary government's $103.0 billion net investment in capital assets, such as land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets) comprise a significant portion of its net position. This amount of capital assets is net of any outstanding debt used to acquire those assets. The State uses capital assets when providing services to citizens; consequently, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, the resources needed to repay this debt must come from other sources because the State cannot use the capital assets to pay off the liabilities.

Another $31.1 billion of the primary government's net position represents resources that are externally restricted as to how they may be used, such as resources pledged to debt service. Internally imposed earmarking of resources is not presented in this publication as restricted net position. As of June 30, 2015, the primary government's combined unrestricted net deficit position was $175.1 billion—$169.7 billion for governmental activities and $5.4 billion for business-type activities.

A significant factor contributing to the unrestricted net deficit is that governments recognize a liability on the government-wide Statement of Net Position as soon as an obligation has been incurred, while financing and budgeting functions focus on when a liability will be paid. As of June 30, 2015, the primary government recognized $89.9 billion (51.3% of the $175.1 billion unrestricted net deficit) in unfunded employee-related obligations—net pension liability, net other postemployment benefits obligation, and compensated absences. In addition, the primary government recognized $67.1 billion (38.3% of the $175.1 billion unrestricted net deficit) in outstanding bonded debt issued to build capital assets for school districts and other local governmental entities, a common state practice nationwide. As the State does not own these capital assets, neither the assets nor the related bonded debt is included in the portion of net position reported as "net investment in capital assets." Instead, the bonded debt is reported as a noncurrent liability that increases the State's unrestricted net deficit position. The State can expect continued deficits in the unrestricted net position

of governmental activities as long as it has significant unfunded employee-related obligations and outstanding obligations for school districts and other local governmental entities.

Table 1 presents condensed financial information derived from the Statement of Net Position for the primary government.

Table 1

Net Position – Primary Government – Two-year Comparison
June 30, 2015 and 2014
(amounts in millions)

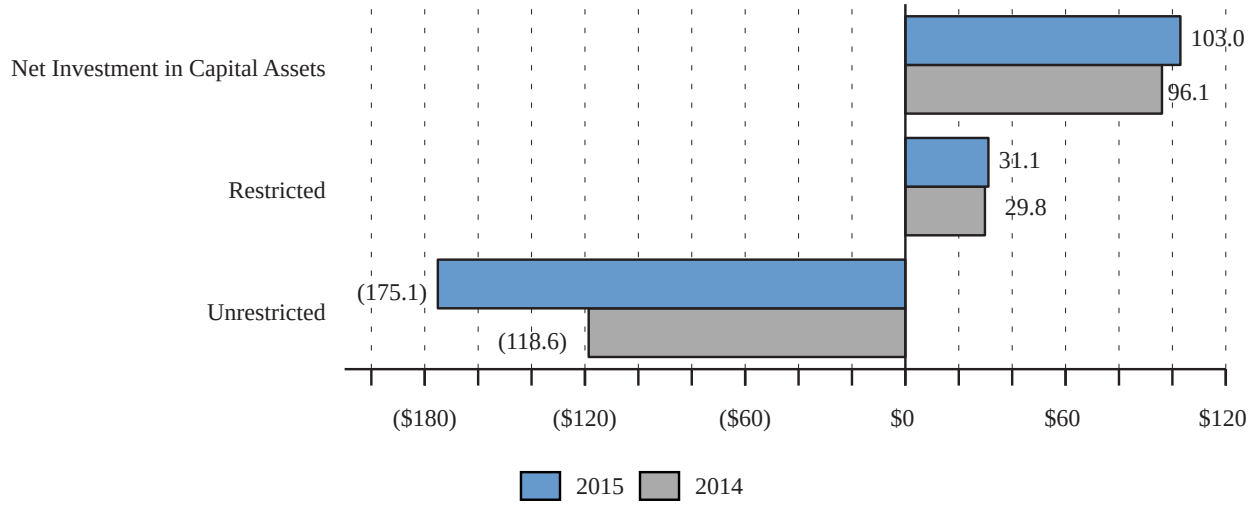
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
ASSETS						
Current and other assets	$ 74,530	$ 70,798	$ 24,539	$ 24,345	$ 99,069	$ 95,143
Capital assets	123,201	116,369	9,220	8,735	132,421	125,104
Total assets	**197,731**	**187,167**	**33,759**	**33,080**	**231,490**	**220,247**
DEFERRED OUTFLOWS OF RESOURCES	**6,128**	**986**	**1,050**	**242**	**7,178**	**1,228**
Total assets and deferred outflows of resources	**$ 203,859**	**$ 188,153**	**34,809**	**$ 33,322**	**$ 238,668**	**$ 221,475**
LIABILITIES						
Noncurrent liabilities	$ 186,897	$ 137,522	$ 27,511	$ 23,506	$ 214,408	$ 161,028
Other liabilities	47,391	48,456	3,841	3,676	51,232	52,132
Total liabilities	**234,288**	**185,978**	**31,352**	**27,182**	**265,640**	**213,160**
DEFERRED INFLOWS OF RESOURCES	**11,989**	**171**	**2,003**	**823**	**13,992**	**994**
Total liabilities and deferred inflows of resources	**246,277**	**186,149**	**33,355**	**28,005**	**279,632**	**214,154**
NET POSITION						
Net investment in capital assets	100,695	94,001	2,278	2,066	102,973	96,067
Restricted	26,632	24,951	4,537	4,913	31,169	29,864
Unrestricted	(169,745)	(116,948)	(5,361)	(1,662)	(175,106)	(118,610)
Total net position (deficit)	**(42,418)**	**2,004**	**1,454**	**5,317**	**(40,964)**	**7,321**
Total liabilities, deferred inflows of resources, and net position	**$ 203,859**	**$ 188,153**	**$ 34,809**	**$ 33,322**	**$ 238,668**	**$ 221,475**

Note: Prior-year adjustments recorded in the current year have not been reflected in the prior-year column.

Chart 1 presents a two-year comparison of the State's net position.

Chart 1

Net Position – Primary Government – Two-year Comparison
June 30, 2015 and 2014
(amounts in billions)



Note: Prior-year adjustments recorded in the current year have not been reflected in the 2014 amounts.

Changes in Net Position

The expenses of the primary government totaled $259.7 billion for the year ended June 30, 2015. Of this amount, $136.5 billion (52.5%) was funded with program revenues (charges for services or program-specific grants and contributions), leaving $123.2 billion to be funded with general revenues (mainly taxes). The primary government's general revenues of $139.0 billion exceeded net unfunded expenses by $15.8 billion, resulting in a 27.8% increase in net position, as restated.

Table 2 presents condensed financial information derived from the Statement of Activities for the primary government.

Table 2

Changes in Net Position – Primary Government – Two-year Comparison
Years ended June 30, 2015 and 2014
(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
REVENUES						
Program Revenues:						
Charges for services	$ 24,390	$ 22,274	$ 24,091	$ 25,284	$ 48,481	$ 47,558
Operating grants and contributions	84,896	69,861	1,666	1,491	86,562	71,352
Capital grants and contributions	1,320	1,516	108	81	1,428	1,597
General Revenues:						
Taxes	138,600	125,812	—	—	138,600	125,812
Investment and interest	58	81	—	—	58	81
Miscellaneous	401	488	—	—	401	488
Total revenues	**249,665**	**220,032**	**25,865**	**26,856**	**275,530**	**246,888**
EXPENSES						
Program Expenses:						
General government	15,804	14,292	—	—	15,804	14,292
Education	59,521	54,720	—	—	59,521	54,720
Health and human services	122,064	105,037	—	—	122,064	105,037
Resources	6,420	5,855	—	—	6,420	5,855
State and consumer services	904	590	—	—	904	590
Business and transportation	12,898	13,427	—	—	12,898	13,427
Correctional programs	11,483	11,235	—	—	11,483	11,235
Interest on long-term debt	4,881	4,699	—	—	4,881	4,699
Electric Power	—	—	799	835	799	835
Water Resources	—	—	1,020	983	1,020	983
State Lottery	—	—	5,560	5,079	5,560	5,079
Unemployment Programs	—	—	11,390	13,673	11,390	13,673
California State University	—	—	6,848	6,545	6,848	6,545
Other enterprise programs	—	—	145	143	145	143
Total expenses	**233,975**	**209,855**	**25,762**	**27,258**	**259,737**	**237,113**
Excess (deficiency) before transfers	**15,690**	**10,177**	**103**	**(402)**	**15,793**	**9,775**
Transfers	(2,555)	(2,296)	2,555	2,296	—	—
Special item	—	(55)	—	(27)	—	(82)
Change in net position	13,135	7,826	2,658	1,867	15,793	9,693
Net position, beginning (restated)	**(55,553)**	**(5,822)**	**(1,204)**	**3,450**	**(56,757)**	**(2,372)**
Net position (deficits), ending	**$ (42,418)**	**$ 2,004**	**$ 1,454**	**$ 5,317**	**$ (40,964)**	**$ 7,321**

Note: Prior-year adjustments recorded in the current year have not been reflected in the prior-year column.

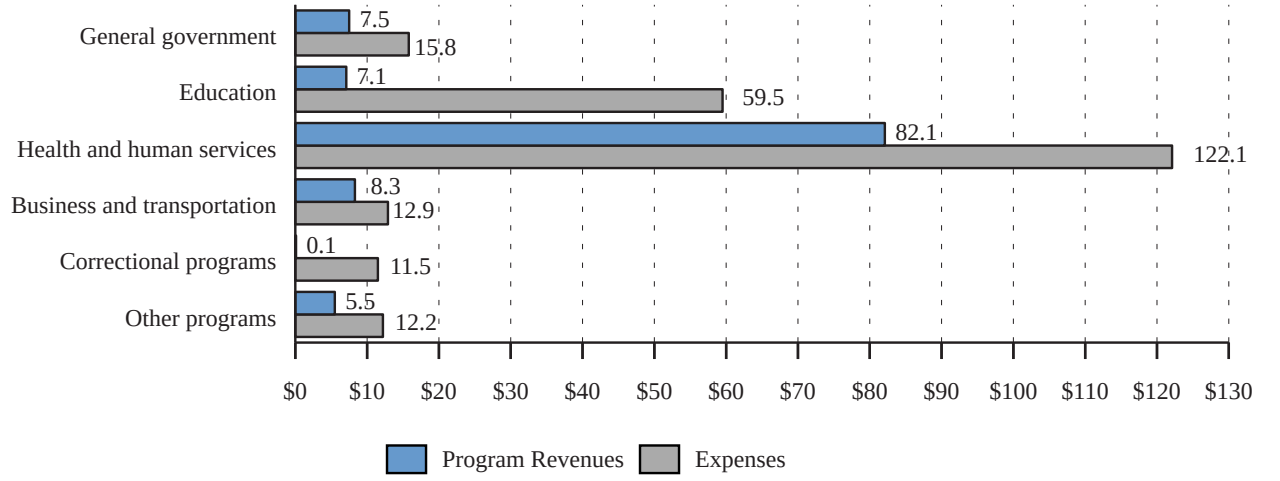
Governmental Activities

During the current fiscal year, the net deficit position for governmental activities improved $13.1 billion over the prior fiscal year's restated amount, for an ending deficit position of $42.4 billion. Governmental activities' expenses and transfers totaled $236.5 billion. Program revenues totaling $110.6 billion, including $86.2 billion received in federal grants, funded 46.7% of expenses and transfers, leaving $125.9 billion to be funded with general revenues (mainly taxes). General revenues for governmental activities totaled $139.0 billion, and the governmental activities' restated beginning net deficit position of $55.5 billion improved to a net deficit position of $42.4 billion for the year ended June 30, 2015, an improvement of $13.1 billion (23.6%).

Chart 2 presents a comparison of governmental activities' expenses to related revenue by program.

Chart 2

Program Revenues and Expenses – Governmental Activities
Year ended June 30, 2015
(amounts in billions)



For the year ended June 30, 2015, total state tax revenues collected for governmental activities increased by $12.8 billion (10.2%) over the prior year. Personal income taxes increased by $9.3 billion (13.5%) as a result of increases in both California's personal income and capital gains realization from favorable stock market and real estate performance. Sales and use tax revenue increased by $1.7 billion (4.8%) due to increases in the State's population and per capita consumption of taxable goods. Corporate taxes increased by $1.6 billion, reflecting an increase in corporate profits and the impact of Proposition 39, which changed the way multistate businesses calculate their California income tax liability.

Overall expenses for governmental activities increased by $24.1 billion (11.5%) over the prior year. The largest increase in expenditures, $17.0 billion (16.2%), occurred in health and human services programs; the majority of the increase is attributable to the Department of Health Care Services, which administers the State's Medi-Cal program. This growth in spending is largely related to continuing increases in Medi-Cal caseload and utilization of services in the second year of the Patient Protection and Affordable Care Act (federal health care reform). The other significant increase, $4.8 billion (8.8%), was in education spending through the Proposition 98 minimum funding guarantee; the increased spending was triggered by higher General Fund revenue.

Charts 3 and 4 present the percentage of total expenses for each governmental activities program and the percentage of total revenues by source.

Chart 3

Expenses by Program
Year ended June 30, 2015
(as a percent)

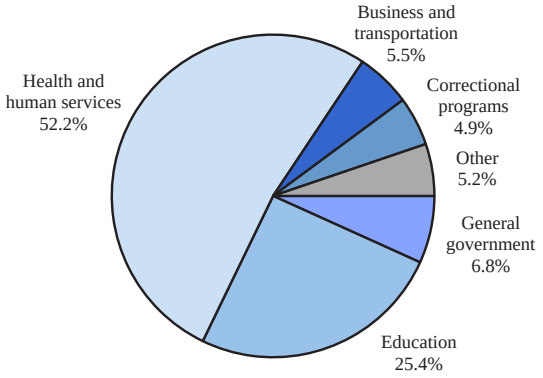
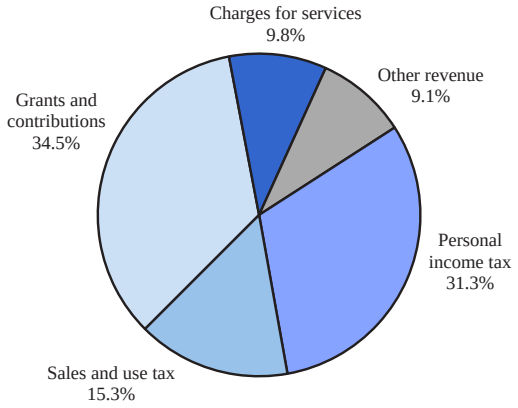


Chart 4

Revenues by Source
Year ended June 30, 2015
(as a percent)



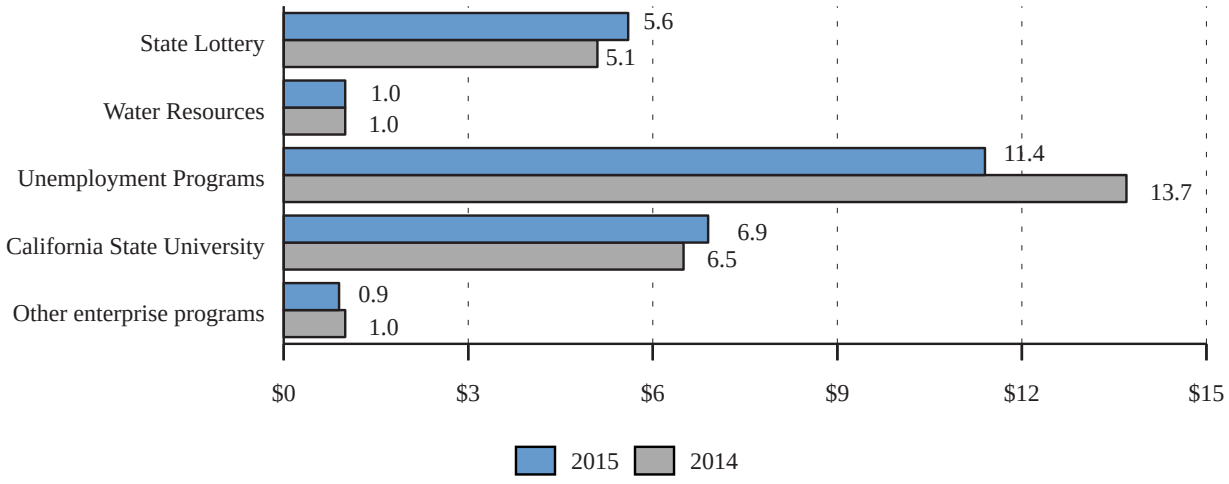
Business-type Activities

Business-type activities' expenses totaled $25.8 billion. Program revenues of $25.9 billion, primarily generated from charges for services, and $2.6 billion in transfers were sufficient to cover these expenses. Consequently, the business-type activities' total net position of $1.5 billion increased by $2.7 billion over the prior-year restated net deficit of $1.2 billion (220.8%) during the year ended June 30, 2015.

Chart 5 presents a two-year comparison of the expenses of the State's business-type activities.

Chart 5

Expenses – Business-type Activities – Two-year Comparison
Years ended June 30, 2015 and 2014
(amounts in billions)



Fund Financial Analysis

The State's governmental funds' balance increased by $6.3 billion over the prior year's restated ending fund balance. Proprietary funds' net position increased by $2.8 billion for fiscal year 2014-15, of which $2.0 billion was in the Unemployment Programs Fund, reducing its net position deficit to $872 million.

Governmental Funds

The governmental funds' Balance Sheet reported $78.1 billion in assets, $52.0 billion in liabilities and deferred inflows of resources, and $26.1 billion in fund balance as of June 30, 2015. Total assets of governmental funds increased by 5.0%, while total liabilities and deferred inflows of resources decreased by 4.8%, resulting in a total fund balance increase of $6.3 billion (31.5%) over the prior year's restated balance.

Within the governmental funds' total fund balance, $59 million is classified as nonspendable, as this amount consists of long-term interfund receivables, loans receivable, or legal or contractual requirements. Additionally, $26.5 billion is classified as restricted for specific programs by external constraints such as debt covenants and contractual obligations, or by constitutional provisions or enabling legislation. Furthermore, of the total fund balance, $4.2 billion is classified as committed for specific purposes and $17 million is classified as assigned for specific purposes. The unassigned balance of the governmental funds is a negative $4.7 billion.

The Statement of Revenues, Expenditures, and Changes in Fund Balances of the governmental funds reported $249.9 billion in revenues, $248.4 billion in expenditures, and a net $4.7 billion in receipts from other financing sources. The ending fund balance of the governmental funds for the year ended June 30, 2015, was $26.1 billion, a $6.3 billion increase over the prior year's restated ending fund balance of $19.8 billion.

Personal income taxes, which account for 56.3% of tax revenues and 31.3% of total governmental fund revenues, increased by $9.5 billion over the prior fiscal year. Sales and use taxes, which account for 27.6% of tax revenues and 15.4% of total governmental fund revenues, increased by $2.0 billion over the prior fiscal year. Corporation taxes, which account for 7.8% of tax revenues and 4.3% of total governmental fund revenues, increased by $1.5 billion over the prior fiscal year. Governmental fund expenditures increased by $30.0 billion over the prior fiscal year, primarily for education and health and human services. The net other financing source from the issuance of general obligation bonds and commercial paper was $6.7 billion, a decrease of 8.9% from the prior fiscal year.

Chart 6 presents a two-year comparison of governmental funds' tax revenues.

Chart 6

Governmental Funds Tax Revenue – Two-year Comparison
Years ended June 30, 2015 and 2014
(amounts in billions)

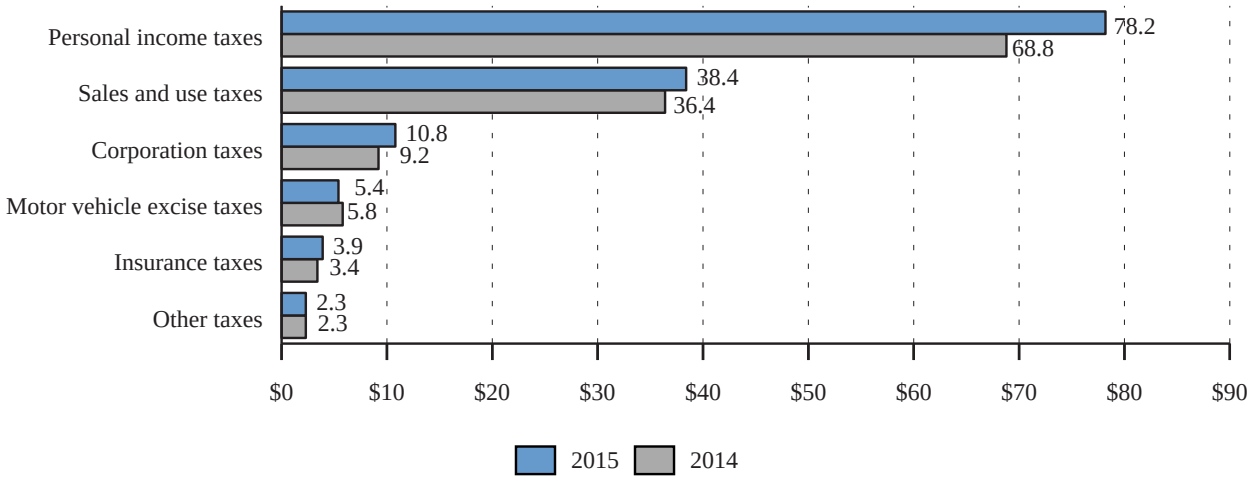
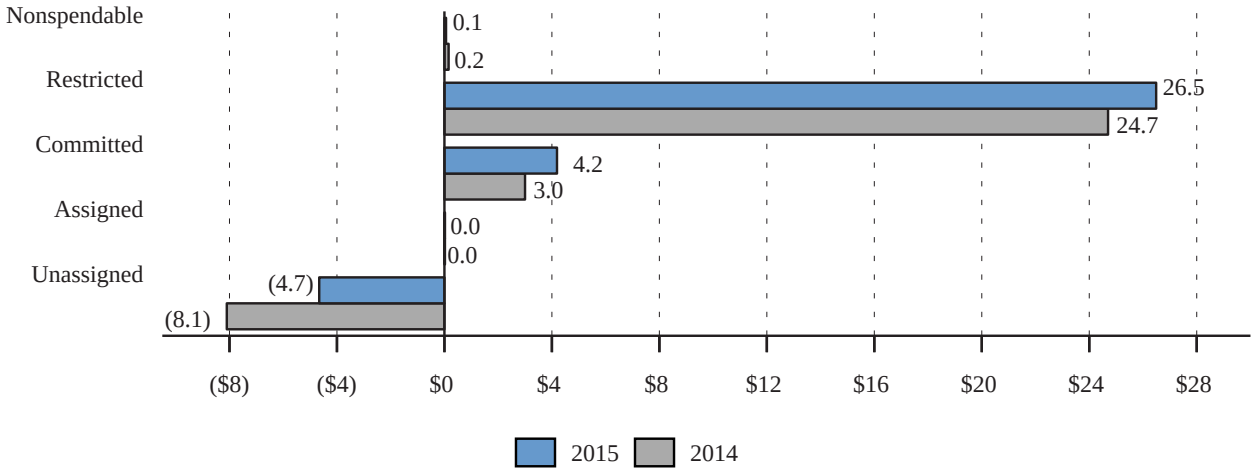


Chart 7 presents a two-year comparison of the components of the governmental funds' balance.

Chart 7

Governmental Funds – Components of Fund Balance – Two-year Comparison
Years ended June 30, 2015 and 2014
(amounts in billions)



The State's major governmental funds are the General Fund, the Federal Fund, the Transportation Fund, and the Environmental and Natural Resources Fund. The General Fund ended the fiscal year with a fund deficit of $2.2 billion. The Federal Fund, the Transportation Fund, and the Environmental and Natural Resources Fund ended the fiscal year with fund balances of $218 million, $8.2 billion, and $8.4 billion, respectively. The nonmajor governmental funds ended the fiscal year with a total fund balance of $11.5 billion.

General Fund: As shown on the Balance Sheet, the General Fund (the State's main operating fund) ended the fiscal year with assets of $22.2 billion; liabilities and deferred inflows of resources of $24.4 billion; and nonspendable, restricted, and committed fund balances of $53 million, $2.3 billion, and $103 million, respectively, leaving the General Fund with a negative unassigned fund balance of $4.7 billion. Total assets of the General Fund increased by $2.8 billion (14.3%) over the prior fiscal year, while the total liabilities and deferred inflows of resources of the General Fund decreased by $2.4 billion (9.1%). The total net fund balance deficit decreased by $5.2 billion (70.1%).

As shown on the Statement of Revenues, Expenditures, and Changes in Fund Balances, the General Fund had an excess of revenues over expenditures of $9.6 billion ($116.8 billion in revenues and $107.2 billion in expenditures). Approximately $111.3 billion (95.3%) of General Fund revenue is derived from the State's largest three taxes—personal income taxes ($76.9 billion), sales and use taxes ($23.6 billion), and corporation taxes ($10.8 billion). As a result of fund classifications made to comply with generally accepted governmental accounting principles, a total of $336 million in revenue, essentially all from unemployment programs, is included in the General Fund. These revenues are not considered General Fund revenues for any budgetary purposes or for the State's Budgetary/Legal Basis Annual Report.

During the 2014-15 fiscal year, total General Fund revenue increased by $12.6 billion (12.1%). The increase is a result of increases in personal income taxes of $9.3 billion (13.8%), sales and use taxes of $1.4 billion (6.1%), and corporation taxes of $1.5 billion (16.6%).

General Fund expenditures increased by $11.8 billion (12.4%). The largest increases were in education and general government expenditures, which were up $9.7 billion and $1.0 billion, respectively. The General Fund's deficit for the year ended June 30, 2015, was $2.2 billion, an improvement of $5.2 billion over the prior year's ending fund deficit of $7.4 billion.

Federal Fund: The Federal Fund reports federal grant revenues and the related expenditures to support the grant programs. The largest of these programs is for health and human services, which accounted for $73.3 billion (85.8%) of the total $85.4 billion in fund expenditures. The Medical Assistance program and the Temporary Assistance for Needy Families program are included in this program area. Education programs also constituted a large part of the fund's expenditures, amounting to $7.0 billion (8.3%) of the total. The Federal Fund's revenues increased by $14.8 billion, which was approximately the same amount of increase in the combined expenditures and transfers, resulting in only a $6 million fund balance increase over the prior year's ending fund balance of $212 million.

Transportation Fund: The Transportation Fund accounts for fuel taxes, bond proceeds, and other revenues used primarily for highway and passenger rail construction. The Transportation Fund's revenues decreased by 2.1%, while its expenditures decreased by 2.9%. Other financing sources provided net receipts of $2.6 billion. The Transportation Fund ended the fiscal year with an $8.2 billion fund balance, an increase of $751 million over the prior year.

Environmental and Natural Resources Fund: The Environmental and Natural Resources Fund accounts for fees, bond proceeds, and other revenues that are used for maintaining the State's natural resources and improving the environmental quality of its air, land, and water. Other financing sources provided net receipts of $881 million. The Environmental and Natural Resources Fund ended the fiscal year with an $8.4 billion fund balance, an increase of $658 million (8.5%) over the prior year.

Proprietary Funds

The net position at the beginning of the year for many of the State's proprietary funds was restated as a result of the recognition of net pension liabilities associated with the implementation of GASB Statements No. 68 and No. 71. The cumulative impact on the proprietary funds' beginning net position as a result of this implementation was a decrease of $7.3 billion—$6.5 billion for enterprise funds and $791 million for internal service funds.

Enterprise Funds: The total net position of the enterprise funds at June 30, 2015, was $1.5 billion—$2.7 billion greater than the prior year's restated net deficit position of $1.2 billion. The Unemployment Programs Fund had a decrease in its net deficit position of $2.0 billion, while the California State University Fund and nonmajor enterprise funds increased their net positions by $497 million and $156 million, respectively.

As shown on the proprietary funds' Statement of Net Position, total assets and deferred outflows of resources for the enterprise funds were $35.3 billion as of June 30, 2015. Of this amount, current assets totaled $11.5 billion, noncurrent assets totaled $22.7 billion, and deferred outflows of resources totaled $1.1 billion. The total liabilities and deferred inflows of resources for the enterprise funds was $33.8 billion. The three largest liabilities of the enterprise funds are $12.7 billion in revenue bonds payable, $6.2 billion in net pension liability, and $5.7 billion in noncurrent loans payable. During the 2014-15 fiscal year, the State reduced by $1.9 billion the balance of the loans from the U.S. Department of Labor that covered prior-year deficits in the Unemployment Programs Fund leaving a balance of $5.7 billion as of June 30, 2015.

Total net position consisted of four segments: net investment in capital assets of $2.3 billion, a nonexpendable restricted net position of $13 million, a restricted expendable net position of $4.5 billion, and an unrestricted net deficit of $5.4 billion.

As shown on the Statement of Revenues, Expenses, and Changes in Fund Net Position of proprietary funds, the enterprise funds ended the year with operating revenues of $22.9 billion, operating expenses of $22.9 billion, and net expenses from other transactions of $66 million. The largest sources of operating revenue were unemployment and disability insurance receipts of $13.4 billion in the Unemployment Programs Fund, and lottery ticket sales of $5.5 billion collected by the State Lottery Fund. The unemployment and disability insurance receipts in the Unemployment Programs Fund decreased by $1.8 billion from $15.2 billion in the prior fiscal year. These receipts came primarily from the federal government unemployment account to pay unemployment and disability benefits. The largest operating expenses were distributions of $11.1 billion to beneficiaries by the Unemployment Programs Fund, personal services of $4.2 billion by the California State University Fund, and lottery prizes of $3.5 billion distributed by the State Lottery Fund.

Internal Service Funds: The total net deficit of the internal service funds was $209 million as of June 30, 2015. The net position consists of three segments: net investment in capital assets of $292 million, a restricted expendable net position of $142 million, and an unrestricted net deficit of $642 million.

Fiduciary Funds

The State of California has four types of fiduciary funds: private purpose trust funds, pension and other employee benefit trust funds, investment trust funds, and agency funds. The private purpose trust funds ended the fiscal year with a net position of $6.5 billion. The pension and other employee benefit trust funds ended the fiscal year with a net position of $513.5 billion. The State's only investment trust fund, the Local Agency Investment Fund, ended the fiscal year with a net position of $21.5 billion. Agency funds act as clearing accounts and thus do not have a net position.

For the year ended June 30, 2015, the fiduciary funds' combined net position was $541.5 billion, a $4.2 billion increase over the prior year restated net position. The net position increased primarily because contributions received and investment income in pension and other employee benefit trust funds exceeded payments made to participants.

General Fund Budget Highlights

The original General Fund budget of $101.4 billion was increased by $15.5 billion. This increase is mainly comprised of funding augmentations for education, health and human services, and other general government programs. The Proposition 98 minimum guarantee increased education funding as the result of increased General Fund revenue in the 2014-15 fiscal year. The increase in health and human services program funding is primarily due to the continuing implementation of the Patient Protection and Affordable Care Act, as well as caseload increases and augmentations for program contingencies. As provided in the Budget Act of 2014, sections 3.60 and 6.20, the augmentation for the purpose of state employee compensation and benefits and the reimbursement of mandate-related costs to cities, counties, and special districts increased the funding for the other general government programs. During fiscal year 2014-15, the General Fund actual budgetary basis expenditures were $115.1 billion, or $1.8 billion less than the final budgeted amount of $116.9 billion.

Table 3 presents a summary of the General Fund original and final budgets.

Table 3

General Fund Original and Final Budgets
Year ended June 30, 2015
(amounts in millions)

	Original	Final	Increase
Budgeted amounts			
State and consumer services	$ 15	$ 17	$ 2
Business and transportation	9	92	83
Resources	1,151	1,639	488
Health and human services	29,002	30,449	1,447
Correctional programs	9,385	9,913	528
Education	50,061	61,654	11,593
General government:			
Tax relief	417	427	10
Debt service	5,144	5,164	20
Other general government	6,293	7,580	1,287
Total	**$ 101,477**	**$ 116,935**	**$ 15,458**

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2015, the State's investment in capital assets for its governmental and business-type activities amounted to $132.4 billion (net of accumulated depreciation/amortization). The State's capital assets include land, state highway infrastructure, collections, buildings and other depreciable property, intangible assets, and construction/development in progress. The buildings and other depreciable property account includes buildings, improvements other than buildings, equipment, certain infrastructure assets, certain books, and other capitalized and depreciable property. Intangible assets include computer software, land use rights, patents, copyrights, and trademarks. Infrastructure assets are items that normally are immovable, such as roads and bridges, and can be preserved for a greater number of years than can most capital assets.

As of June 30, 2015, the State's capital assets increased $7.3 billion, or 5.8% over the prior fiscal year. The majority of the increase occurred in state highway infrastructure, buildings and other depreciable property, and construction/development in progress. Included in the capital assets increase is a $3.6 billion beginning balance restatement, primarily for the understated state highway infrastructure and construction in progress.

Additional information on the State's capital assets can be found in Note 7.

Table 4 presents a summary of the primary government's capital assets for governmental and business-type activities.

Table 4

Capital Assets – Primary Government – Two-year Comparison
June 30, 2015 and 2014
(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	$ 19,131	$ 18,258	$ 237	$ 222	$ 19,368	$ 18,480
State highway infrastructure	70,686	65,269	—	—	70,686	65,269
Collections – nondepreciable	23	23	11	7	34	30
Buildings and other depreciable property	28,310	27,554	12,274	11,738	40,584	39,292
Intangible assets – amortizable	1,215	1,091	338	336	1,553	1,427
Less: accumulated depreciation/amortization	(12,668)	(12,150)	(4,939)	(4,581)	(17,607)	(16,731)
Construction/development in progress	16,085	14,858	1,183	764	17,268	15,622
Intangible assets – nonamortizable	419	1,466	116	249	535	1,715
Total	**$ 123,201**	**$ 116,369**	**$ 9,220**	**$ 8,735**	**$ 132,421**	**$ 125,104**

Note: Prior-year adjustments recorded in the current year have not been reflected in the prior-year column.

Modified Approach for Infrastructure Assets

The State has elected to use the modified approach for capitalizing infrastructure assets of the state highway system (state roadways and bridges). Under the modified approach, the State does not report depreciation expense for its roads and bridges but capitalizes all costs that add to their capacity and efficiency. All maintenance and preservation costs are expensed. Under the modified approach, the State maintains an asset management system to demonstrate that the infrastructure is preserved at or above established condition levels. During the 2014-15 fiscal year, the actual amount spent on preservation was 50.4% of the estimated budgeted amount needed to maintain the infrastructure assets at the established condition levels. Although the amount spent fell short of the budgeted amount, the assessed condition of the State's bridges and roadways is better than the established condition baselines with 84.3% of lane miles judged to be of excellent, good, or fair quality in the last completed pavement-condition survey. The State is responsible for maintaining 49,718 lane miles and 13,218 bridges.

The Required Supplementary Information includes additional information on how the State uses the modified approach for infrastructure assets; it also presents the established condition standards, condition assessments, and preservation costs.

Debt Administration

At June 30, 2015, the State had total bonded debt outstanding of $112.2 billion. Of this amount, $81.1 billion (72.3%) represents general obligation bonds, which are backed by the full faith and credit of the State. Included in the $81.1 billion of general obligation bonds is $944 million of Economic Recovery bonds that are secured by a pledge of revenues derived from dedicated sales and use taxes and will be fully paid during fiscal year 2015-2016. The current portion of general obligation bonds outstanding is $3.0 billion and the long-term portion is $78.1 billion. The remaining $31.1 billion (27.7%) of bonded debt outstanding represents revenue bonds, which are secured solely by specified revenue sources. The current portion of revenue bonds outstanding is $1.7 billion and the long-term portion is $29.4 billion.

During the fiscal year, the State issued $6.6 billion in new general obligation bonds for children's hospitals; public primary, secondary, community college and university education facilities; highway safety, traffic reduction, air quality and port security; transportation; housing and emergency shelters; local and passenger rail projects; safe drinking water; water quality and supply, flood control, river and coastal protection; medical research; earthquake safety and public building rehabilitation; veterans' homes; high-speed passenger train projects; and to refund previously outstanding general obligation bonds and commercial paper.

Table 5 presents a summary of all the primary government's long-term obligations for governmental and business-type activities.

Table 5

Long-term Obligations – Primary Government – Two-year Comparison
Years ended June 30, 2015 and 2014
(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Government-wide noncurrent liabilities						
General obligation bonds	$ 77,527	$ 79,287	$ 579	$ 617	$ 78,106	$ 79,904
Revenue bonds payable	17,739	18,270	11,670	12,070	29,409	30,340
Total bonded debt	95,266	97,557	12,249	12,687	107,515	110,244
Net pension liability/obligation	57,456	3,238	6,249	—	63,705	3,238
Net other postemployment benefits obligation	21,594	18,617	735	628	22,329	19,245
Mandated cost claims payable	2,377	7,715	—	—	2,377	7,715
Loans payable	—	—	5,671	7,633	5,671	7,633
Compensated absences payable	3,681	3,751	188	183	3,869	3,934
Workers compensation benefits payable	3,448	3,291	3	3	3,451	3,294
Capital lease obligations	215	200	1,136	1,180	1,351	1,380
Certificates of participation and commercial paper	482	589	89	51	571	640
Other noncurrent liabilities	2,378	2,563	1,191	1,141	3,569	3,704
Total noncurrent liabilities	**186,897**	**137,521**	**27,511**	**23,506**	**214,408**	**161,027**
Current portion of long-term obligations	5,071	5,807	2,078	1,931	7,149	7,738
Total long-term obligations	**$ 191,968**	**$ 143,328**	**$ 29,589**	**$ 25,437**	**$ 221,557**	**$ 168,765**

Note: Prior-year adjustments recorded in the current year have not been reflected in the prior-year column.

During the 2014-15 fiscal year, the State implemented GASB Statements No. 68 and 71, which resulted in the elimination of the June 30, 2014 net pension obligation of $3.2 billion and the recognition of a net pension liability of $63.7 billion at June 30, 2015—a net increase of $60.5 billion in long-term obligations. All other long-term obligations not associated with pensions decreased by a net $4.0 billion from the prior year. The largest decreases were $4.8 billion in state-mandated cost claims payable, $2.8 billion in general obligation bonds, and $2.0 billion in loans payable to the U.S. Department of Labor for prior-year shortfalls in the unemployment program. The largest increase was $3.1 billion in other postemployment benefit obligations because the State does not fully fund the annual actuarially calculated cost of these benefits.

Note 10, Long-term Obligations; Notes 11 through 16; and Notes 24 and 25 include additional information on the State's long-term obligations.

In November 2014, Standard and Poor's Rating Services raised the State's general obligation rating to "A+" from "A", citing as a motivating factor the November 4, 2014 voter approval of Proposition 2, which strengthens the budget stabilization account. In February 2015, Fitch raised the State's general obligation rating to "A+" from "A", citing the State's continued improvement in its fundamental fiscal position, institutionalized changes to its fiscal operations, and ongoing economic and revenue recovery as contributing to an improved financial position and enhancing the State's ability to address future fiscal challenges.

Economic Condition and Future Budgets

The Economy for the Year Ending June 30, 2015

The U.S. economy completed its sixth year of recovery as California ended its fiscal year on June 30, 2015. California's income growth outperformed that of the nation as a whole during the 2014-15 fiscal year. The State's total personal income increased by 5.5% during the year, compared to the 4.6% increase posted for the U.S. as a whole. As personal income grew, consumer spending also increased, as demonstrated by the 9.9% increase in automobile registrations (an increase from the 6.6% year-over-year increase observed in the 2013-14 fiscal year). During the 2014-15 fiscal year, a total of 1.9 million new vehicle registrations were recorded.

The State's real estate market showed signs of continued strength during the fiscal year. As of June 2015, prices for existing single-family homes were 7.0% higher and sales were up 11% compared to the prior year. Homebuilding continued in California at an accelerated rate, with permits issued during the 2014-15 fiscal year increasing by approximately 10% to nearly 94,000 units. Nonresidential construction increased by 4.1%, with the value of nonresidential permits increasing to $23.5 billion.

California's labor market continued to add jobs during the 2014-15 fiscal year. Total employment for June 2015 rose to 17.8 million jobs, a gain of more than 481,000 jobs from June 2014. Mirroring that increase, the State's unemployment rate fell from 7.5% at June 2014 to 6.3% at June 2015.

Economic Outlook for the 2015-16 Fiscal Year as of December 31, 2015

California's economy continued to improve during the first several months of the fiscal year beginning July 1, 2015. Job gains, falling unemployment, increases in personal income, higher auto sales, and rising construction illustrated the size and scope of this growth.

Employment opportunities in California continued to improve during the first several months of the 2015-16 fiscal year. Seasonally adjusted job growth averaged about 8,900 jobs per month, although the pace of growth slowed somewhat relative to the gains observed during the 2014-15 fiscal year. California's jobless rate continued to fall during the first half of fiscal year 2015-16. By December, it had receded to 5.8% from 6.3% in June 2015.

California's personal income growth continued to outpace that of the nation during the first quarter of fiscal year 2015-16. During that period, the State's total personal income increased by 6.5% over the same period last year, compared to a 4.6% increase nationally. The pace of new car sales continued to increase during the beginning of the 2015-16 fiscal year, with an annual increase of 10.3% for the 12 months ending December 2015.

The housing market continued to show strength during the first half of the 2015-16 fiscal year. As of December 2015, home prices were up 7.8% relative to prices during the same period one year earlier, and the number of sales had increased by 10.7% from the level observed in December 2014. New residential construction accelerated slightly in the first half of the 2015-16 fiscal year. The number of permits for new residential units increased to an annual pace of 95,000 units as of December 2015, an increase of 11.9% compared to the same period last year.

California's 2015-16 Budget

California's 2015-16 Budget Act was enacted on June 24, 2015. The Budget Act appropriated $167.6 billion—$115.4 billion from the General Fund, $45.7 billion from special funds, and $6.5 billion from bond funds. The General Fund's budgeted expenditures increased $896 million, or 0.8% over last year's General Fund budget. The General Fund's revenues were projected to be $115.0 billion after a projected $1.9 billion transfer to the Budget Stabilization Account (Rainy Day Fund). General Fund revenue comes predominantly from taxes, with personal income taxes expected to provide 66.5% of total revenue. California's major taxes (personal income, sales and use, and corporation taxes) are projected to supply approximately 96.9% of the General Fund's resources in the 2015-16 fiscal year.

The spending plan for the 2015-16 fiscal year implemented the first year of Proposition 2, approved by voters in November 2014, which uses spikes in capital gains to save money for the next recession and to pay down the State's debts and unfunded liabilities. Despite the projected $1.9 billion transfer to the Budget Stabilization Account and $1.9 billion allocated for debt reduction, including special fund loan repayments and a partial settle-up of Proposition 98 underfunding, the budget projected a surplus in the General Fund for the fourth consecutive year. The General Fund is projected to end the 2015-16 fiscal year with $4.6 billion in total reserves—$3.5 billion in the Budget Stabilization Account and $1.1 billion reserved for economic uncertainties.

The budget's projected increases in General Fund revenue triggered higher education spending through the Proposition 98 minimum funding guarantees for fiscal year 2015-16. The spending plan included $7.6 billion in both ongoing and one-time Proposition 98 funding increases. The largest ongoing augmentation of $6.0 billion is for the implementation of the Local Control Funding Formula. The budget package also provided one-time augmentations of $3.8 billion for paying down the education mandate claims backlog and $992 million for eliminating the remaining school and community college payment deferrals. The spending plan also increased funding for child care and preschool programs by $423 million (18%) and for the California State University and the University of California by a combined $495 million (8%) over the 2014-15 funding levels.

The 2015-16 spending plan included the adoption of the California Earned Income Tax Credit (EITC), a personal income tax credit that is intended to reduce poverty among California's poorest working families by increasing their after-tax income. For tax year 2015, the first year that the California EITC will be available, an estimated two million individuals will qualify (approximately 825,000 tax returns) with an average credit amount of $460 per return, reducing revenues available to the General Fund by an estimated $380 million in the 2015-16 fiscal year.

The spending plan for the 2015-16 fiscal year included $20.2 billion in General Fund money for health programs, an increase of $715 million (3.7%) over the 2014-15 funding level. This increase primarily addressed increases in both caseload and utilization of services, as well as partially restored funding for In-Home Supportive Services and extended Medi-Cal coverage to previously ineligible residents. The budget also included $125 million in General Fund spending to address the State's aging infrastructure; these funds help address the backlog of deferred-maintenance projects and help state departments reduce the need for costlier new infrastructure.

Since the passage of the Budget Act, General Fund revenues have exceeded estimates used in preparing the budget. As of January 1, 2016, revenues were $884.6 million more than forecasted, while total disbursements were $307 million below estimates. As a result, the General Fund's temporary borrowing was $1.4 billion less than projected, leaving a balance at December 31, 2015, of $11.1 billion in outstanding loans—which for the first time in 15 years is comprised entirely of internal borrowing from special funds rather than external loans such as revenue anticipation notes.

California's 2016-17 Budget

The Governor released his proposed 2016-17 budget on January 7, 2016. The budget restores some previous budget cuts and expands services, but continues to place strong emphasis on building reserves, paying down existing obligations, and restoring and upgrading the State's infrastructure. Although a strengthening economy continues to push revenues higher, the Governor's budget includes provisions for the next recession, as history has shown that the General Fund's major revenue source, personal income taxes, drops precipitously during economic downturns. The budget allocates a significant portion of discretionary resources to increasing total reserves beyond constitutional funding requirements such as those required by Proposition 2 and Proposition 98. The budget projects total reserves of $10.2 billion by the end of the 2016-17 fiscal year—$6.0 billion in the Budget Stabilization Account as required under Proposition 2, $2.2 billion in the General Fund's reserve for economic uncertainties, and an additional optional reserve of $2.0 billion. In addition to the required transfer to the Budget Stabilization Account, Proposition 2 requires that an equivalent amount be used to pay down existing debts and reduce unfunded liabilities in excess of current base amounts. During the 2016-17 fiscal year, the Governor proposes to spend a total of $1.6 billion to repay some of the General Fund's loans from special funds and transportation projects, to partially settle-up previous Proposition 98 underfunding, and to reduce some of the University of California employee pension liabilities.

The 2016-17 Governor's Budget projects that General Fund revenues and transfers will be $120.6 billion and expenditures will be $122.6 billion, leaving an estimated $3.2 billion year-end balance that includes the $2.2 billion reserve for economic uncertainties. In the proposed budget, the General Fund began fiscal year 2015-16 with a surplus balance of $3.7 billion; it is projected to begin fiscal year 2016-17 with a surplus of approximately $5.2 billion. Estimated General Fund revenues and transfers are 2.6% more than the revised 2015-16 estimate of $117.5 billion, while the 2016-17 expenditures are 5.6% greater than the revised 2015-16 estimate of $116.1 billion.

Personal income tax is projected to increase by $2.5 billion (3.1%) over the prior-year revised estimate. This represents a major component of the $3.8 billion General Fund revenue increase. Sales and use taxes are also projected to increase by $0.7 billion (2.8%) and corporation tax by $0.7 billion (6.3%). The budget's projected increases in General Fund revenue trigger higher education spending through the Proposition 98 minimum funding guarantees for both fiscal year 2015-16 and 2016-17. The Governor's budget includes $4.3 billion in additional Proposition 98 spending, with a large portion of the new funding ($2.8 billion) dedicated to augmenting the Local Control Funding Formula. The Governor's budget package also provides $1.4 billion to pay down the backlog of education mandate claims, thereby reducing the State's outstanding Proposition 98 obligations.

The Governor's budget also includes various proposals to improve public infrastructure and reflects many of the proposals that the Governor outlined last summer in his transportation funding package. In the transportation package, the Governor proposed spending $36.0 billion over the next decade to improve the maintenance of the State's highways and roads, expand public transit, and improve critical trade routes. The fiscal year 2016-17 budget commits spending on infrastructure using both General Fund and special fund sources, including $1.5 billion to replace and renovate state office buildings and a $250 million grant program to replace or renovate county jails. The budget also proposes a one-time allocation of $807 million for statewide maintenance projects to address some of the State's $77.0 billion infrastructure deferred-maintenance backlog.

The Governor's budget for the 2016-17 fiscal year includes increased spending for health and human services of $2.1 billion (6.6%), mainly within the Medi-Cal program, for continued implementation of federal health care reform, which has enabled millions of Californians to obtain health care coverage. The 2016-17 budget also proposes a $3.1 billion cap-and-trade expenditure plan to reduce greenhouse gas emissions, sets aside

$350 million for potential increases in employee compensation as a result of the 2016 collective bargaining process, and provides funding for drought-related activities.

According to the Legislative Analyst's Office, California's nonpartisan fiscal and policy advisor, the State may be reaching the peak of its long economic expansion. Planning for the next downturn, which includes setting aside budget reserves, is an important priority. The Governor's emphasis on reserves is prudent, as a large budget reserve is the key to weathering the next recession with minimal disruption to public programs. Additionally, the budget's focus on renovating, adapting, or improving the State's infrastructure to meet current and future needs is appropriate, as much of the State's infrastructure is aging.

Requests for Information

The State Controller's Office designed this financial report to provide interested parties with a general overview of the State of California's finances. Address questions concerning the information provided in this report or requests for additional information through email to the State Controller's Office, Division of Accounting and Reporting at StateGovReports@sco.ca.gov. This report is also available on the State Controller's Office website at www.sco.ca.gov.

Basic Financial Statements

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Government-wide Financial Statements

Statement of Net Position

June 30, 2015
(amounts in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current assets:				
Cash and pooled investments	$ 29,824,636	$ 5,359,824	$ 35,184,460	$ 2,625,369
Amount on deposit with U.S. Treasury	—	11,643	11,643	—
Investments	298,514	2,711,621	3,010,135	7,812,541
Restricted assets:				
Cash and pooled investments	2,356,430	789,320	3,145,750	219,958
Investments	—	—	—	3,304
Due from other governments	—	20,584	20,584	—
Net investment in direct financing leases	97,802	13,915	111,717	—
Receivables (net)	16,894,083	2,128,019	19,022,102	4,098,133
Internal balances	(230,203)	230,203	—	—
Due from primary government	—	—	—	168,660
Due from other governments	17,780,085	289,152	18,069,237	92,938
Prepaid items	115,818	49,767	165,585	1,357
Inventories	78,689	18,385	97,074	207,457
Recoverable power costs (net)	—	108,000	108,000	—
Other current assets	64,849	5,378	70,227	336,872
Total current assets	67,280,703	11,735,811	79,016,514	15,566,589
Noncurrent assets:				
Restricted assets:				
Cash and pooled investments	288,505	694,460	982,965	29,185
Investments	—	372,496	372,496	4,700
Loans receivable	—	284,213	284,213	—
Investments	—	1,450,600	1,450,600	25,986,785
Net investment in direct financing leases	929,070	350,760	1,279,830	—
Receivables (net)	1,739,297	348,503	2,087,800	2,521,842
Loans receivable	4,286,114	4,057,580	8,343,694	3,590,232
Recoverable power costs (net)	—	3,770,000	3,770,000	—
Long-term prepaid charges	6,610	1,452,689	1,459,299	—
Capital assets:				
Land	19,130,659	237,295	19,367,954	1,125,463
State highway infrastructure	70,685,662	—	70,685,662	—
Collections – nondepreciable	22,630	11,088	33,718	394,180
Buildings and other depreciable property	28,310,554	12,274,972	40,585,526	46,455,921
Intangible assets – amortizable	1,215,226	337,629	1,552,855	863,343
Less: accumulated depreciation/amortization	(12,667,983)	(4,939,363)	(17,607,346)	(21,852,228)
Construction/development in progress	16,085,342	1,182,567	17,267,909	2,859,030
Intangible assets – nonamortizable	419,274	115,761	535,035	5,098
Other noncurrent assets	—	21,251	21,251	294,902
Total noncurrent assets	130,450,960	22,022,501	152,473,461	62,278,453
Total assets	**197,731,663**	**33,758,312**	**231,489,975**	**77,845,042**
DEFERRED OUTFLOWS OF RESOURCES	**6,127,476**	**1,050,366**	**7,177,842**	**5,706,742**
Total assets and deferred outflows of resources	**$ 203,859,139**	**$ 34,808,678**	**$ 238,667,817**	**$ 83,551,784**

The notes to the financial statements are an integral part of this statement.

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
LIABILITIES				
Current liabilities:				
Accounts payable	$ 21,753,559	$ 317,610	$ 22,071,169	$ 2,440,495
Due to component units	168,660	—	168,660	—
Due to other governments	11,437,475	125,000	11,562,475	2
Revenues received in advance	1,452,360	312,303	1,764,663	1,140,375
Tax overpayments	4,385,298	—	4,385,298	—
Deposits	472,920	—	472,920	863,825
Contracts and notes payable	105	—	105	26,518
Unclaimed property liability	773,487	—	773,487	—
Interest payable	1,203,862	67,119	1,270,981	49,787
Securities lending obligations	—	—	—	812,088
Benefits payable	—	474,410	474,410	—
Current portion of long-term obligations	5,070,767	2,077,542	7,148,309	4,137,025
Other current liabilities	672,168	466,770	1,138,938	1,768,877
Total current liabilities	47,390,661	3,840,754	51,231,415	11,238,992
Noncurrent liabilities:				
Loans payable	—	5,670,653	5,670,653	—
Lottery prizes and annuities	—	742,955	742,955	—
Compensated absences payable	3,680,640	188,390	3,869,030	286,796
Workers compensation benefits payable	3,447,670	2,976	3,450,646	410,329
Certificates of participation, commercial paper, and other borrowings	481,885	89,001	570,886	2,424
Capital lease obligations	214,930	1,135,691	1,350,621	463,503
General obligation bonds payable	77,527,575	579,318	78,106,893	—
Revenue bonds payable	17,738,950	11,669,577	29,408,527	19,461,720
Mandated cost claims payable	2,376,998	—	2,376,998	—
Net other postemployment benefits obligation	21,593,644	735,176	22,328,820	9,524,839
Net pension liability	57,456,241	6,248,976	63,705,217	10,814,302
Revenues received in advance	—	13,213	13,213	—
Other noncurrent liabilities	2,378,587	435,137	2,813,724	1,845,620
Total noncurrent liabilities	186,897,120	27,511,063	214,408,183	42,809,533
Total liabilities	**234,287,781**	**31,351,817**	**265,639,598**	**54,048,525**
DEFERRED INFLOWS OF RESOURCES	**11,989,171**	**2,002,482**	**13,991,653**	**5,368,446**
Total liabilities and deferred inflows of resources	**$ 246,276,952**	**$ 33,354,299**	**$ 279,631,251**	**$ 59,416,971**

(continued)

Statement of Net Position (continued)

June 30, 2015
(amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
NET POSITION				
Net investment in capital assets	$ 100,694,652	$ 2,278,252	$ 102,972,904	$ 12,669,964
Restricted:				
Nonexpendable – endowments	—	13,448	13,448	5,537,668
Expendable:				
Endowments and gifts	—	—	—	10,421,237
Business and transportation	11,258,588	6,700	11,265,288	—
Resources	4,349,837	446,898	4,796,735	—
Health and human services	3,565,865	153,730	3,719,595	—
Education	919,856	59,068	978,924	1,757,383
General government	4,165,287	229,275	4,394,562	—
Unemployment programs	—	3,601,837	3,601,837	—
State and consumer services	765,710	22,749	788,459	—
Correctional programs	937	3,239	4,176	—
Indenture	—	—	—	531,976
Statute	—	—	—	1,266,685
Other purposes	1,606,422	—	1,606,422	16,092
Total expendable	26,632,502	4,523,496	31,155,998	13,993,373
Unrestricted	(169,744,967)	(5,360,817)	(175,105,784)	(8,066,192)
Total net position (deficit)	**(42,417,813)**	**1,454,379**	**(40,963,434)**	**24,134,813**
Total liabilities, deferred inflows of resources, and net position	**$ 203,859,139**	**$ 34,808,678**	**$ 238,667,817**	**$ 83,551,784**

(concluded)

The notes to the financial statements are an integral part of this statement.

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Statement of Activities

Year Ended June 30, 2015
(amounts in thousands)

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	$ 15,804,281	$ 6,502,363	$ 1,016,290	$ —
Education	59,521,018	53,498	7,061,401	—
Health and human services	122,063,805	8,259,696	73,854,732	—
Resources	6,419,591	4,546,413	337,573	—
State and consumer services	903,782	626,960	5,602	—
Business and transportation	12,897,591	4,382,901	2,544,713	1,319,430
Correctional programs	11,483,573	18,557	75,926	—
Interest on long-term debt	4,880,625	—	—	—
Total governmental activities	233,974,266	24,390,388	84,896,237	1,319,430
Business-type activities:				
Electric Power	799,000	799,000	—	—
Water Resources	1,019,378	1,019,378	—	—
State Lottery	5,560,299	5,553,418	—	—
Unemployment Programs	11,390,227	13,402,902	—	—
California State University	6,847,789	3,113,988	1,666,292	—
State Water Pollution Control Revolving	9,082	65,959	—	107,746
Housing Loan	58,280	57,742	—	—
Other enterprise programs	77,475	78,625	—	—
Total business-type activities	25,761,530	24,091,012	1,666,292	107,746
Total primary government	**$ 259,735,796**	**$ 48,481,400**	**$ 86,562,529**	**$ 1,427,176**
Component Units				
University of California	30,859,351	18,629,708	8,695,729	186,836
California Housing Finance Agency	206,703	52,796	—	—
Nonmajor component units	1,963,502	1,009,482	546,288	39,320
Total component units	**$ 33,029,556**	**$ 19,691,986**	**$ 9,242,017**	**$ 226,156**
General revenues:				
Personal income taxes				
Sales and use taxes				
Corporation taxes				
Motor vehicle excise tax				
Insurance taxes				
Other taxes				
Investment and interest				
Escheat				
Other				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position (deficit) – beginning, restated				
Net position (deficit) – ending				

The notes to the financial statements are an integral part of this statement.

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (8,285,628)		$ (8,285,628)	
(52,406,119)		(52,406,119)	
(39,949,377)		(39,949,377)	
(1,535,605)		(1,535,605)	
(271,220)		(271,220)	
(4,650,547)		(4,650,547)	
(11,389,090)		(11,389,090)	
(4,880,625)		(4,880,625)	
(123,368,211)		(123,368,211)	
	$ —	—	
	—	—	
	(6,881)	(6,881)	
	2,012,675	2,012,675	
	(2,067,509)	(2,067,509)	
	164,623	164,623	
	(538)	(538)	
	1,150	1,150	
	103,520	103,520	
$ (123,368,211)	**$ 103,520**	**$ (123,264,691)**	
			$ (3,347,078)
			(153,907)
			(368,412)
			$ (3,869,397)
$ 78,098,865	$ —	$ 78,098,865	$ —
38,224,080	—	38,224,080	—
10,720,647	—	10,720,647	—
5,393,994	—	5,393,994	—
3,926,319	—	3,926,319	—
2,235,498	—	2,235,498	—
58,016	—	58,016	1,464,303
400,807	—	400,807	—
—	—	—	3,069,190
(2,554,970)	2,554,970	—	—
136,503,256	**2,554,970**	**139,058,226**	**4,533,493**
13,135,045	2,658,490	15,793,535	664,096
(55,552,858)	**(1,204,111)**	**(56,756,969)**	**23,470,717**
$ (42,417,813)	**$ 1,454,379**	**$ (40,963,434)**	**$ 24,134,813**

The notes to the financial statements are an integral part of this statement.

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Fund Financial Statements

Balance Sheet

Governmental Funds

June 30, 2015
(amounts in thousands)

	General	Federal
ASSETS		
Cash and pooled investments	$ 5,841,755	$ 356,429
Investments	—	—
Receivables (net)	14,395,822	13,474
Due from other funds	1,601,534	—
Due from other governments	239,905	16,977,663
Interfund receivables	46,526	—
Loans receivable	50,058	210,255
Other assets	8,094	—
Total assets	**$ 22,183,694**	**$ 17,557,821**
LIABILITIES		
Accounts payable	$ 1,717,420	$ 1,270,482
Due to other funds	3,941,117	13,662,231
Due to component units	134,328	—
Due to other governments	5,821,371	2,261,320
Interfund payables	5,281,728	—
Revenues received in advance	653,076	114,710
Tax overpayments	4,385,298	—
Deposits	1,299	—
Interest payable	—	1,010
Unclaimed property liability	773,487	—
General obligation bonds payable	—	—
Other liabilities	376,789	17,067
Total liabilities	**23,085,913**	**17,326,820**
DEFERRED INFLOWS OF RESOURCES	**1,326,413**	**13,121**
Total liabilities and deferred inflows of resources	**24,412,326**	**17,339,941**
FUND BALANCES		
Nonspendable	53,431	—
Restricted	2,266,635	217,880
Committed	102,793	—
Assigned	—	—
Unassigned	(4,651,491)	—
Total fund balances (deficit)	**(2,228,632)**	**217,880**
Total liabilites, deferred inflows of resources, and fund balances	**$ 22,183,694**	**$ 17,557,821**

The notes to the financial statements are an integral part of this statement.

Transportation	Environmental and Natural Resources	Nonmajor Governmental	Total
$ 4,411,190	$ 6,570,692	$ 11,403,104	$ 28,583,170
—	—	298,514	298,514
1,053,857	475,990	2,600,372	18,539,515
1,190,006	85,124	900,066	3,776,730
7,860	56,003	485,135	17,766,566
2,952,261	623,097	1,138,895	4,760,779
—	1,330,521	2,695,280	4,286,114
47,840	—	8,914	64,848
$ 9,663,014	**$ 9,141,427**	**$ 19,530,280**	**$ 78,076,236**
$ 354,471	$ 396,527	$ 686,547	$ 4,425,447
146,689	99,142	2,803,333	20,652,512
95	148	34,089	168,660
303,878	50,514	3,474,868	11,911,951
11,096	40,000	8,574	5,341,398
20,600	136,613	172,853	1,097,852
—	—	—	4,385,298
2,920	942	467,074	472,235
—	—	23,246	24,256
—	—	—	773,487
—	—	14,550	14,550
516,524	6,968	120,232	1,037,580
1,356,273	**730,854**	**7,805,366**	**50,305,226**
89,678	**36,726**	**203,043**	**1,668,981**
1,445,951	**767,580**	**8,008,409**	**51,974,207**
—	—	5,620	59,051
8,161,754	5,884,242	9,960,291	26,490,802
55,538	2,491,685	1,543,340	4,193,356
—	—	16,767	16,767
(229)	(2,080)	(4,147)	(4,657,947)
8,217,063	**8,373,847**	**11,521,871**	**26,102,029**
$ 9,663,014	**$ 9,141,427**	**$ 19,530,280**	**$ 78,076,236**

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

(amounts in thousands)

Total fund balances – governmental funds		**$ 26,102,029**
Amounts reported for governmental activities in the Statement of Net Position are different from those in the Governmental Funds Balance Sheet because:		
• The following capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Land	19,128,347	
State highway infrastructure	70,685,662	
Collections – nondepreciable	22,630	
Buildings and other depreciable property	27,631,704	
Intangible assets – amortizable	1,146,654	
Less: accumulated depreciation/amortization	(12,097,288)	
Construction/development in progress	14,776,655	
Intangible assets – nonamortizable	419,274	
		121,713,638
• State revenues that are earned and measurable, but not available within 12 months of the end of the reporting period, are reported as deferred inflows of resources in the funds.		1,668,981
• Internal service funds are used by management to charge the costs of certain activities, such as building construction and architectural, procurement, and technology services, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position, excluding amounts for activity between the internal service funds and governmental funds.		(6,563,306)
• Bond premiums/discounts and prepaid insurance charges are amortized over the life of the bonds and are included in the governmental activities in the Statement of Net Position.		(3,840,801)
• Deferred inflows and outflows of resources related to pension transactions are not reported in the funds.		(6,350,068)
• Deferred inflows and outflows of resources resulting from bond refunding gains and losses, respectively, are amortized over the life of the bonds and are not reported in the funds.		561,539
• General obligation bonds and related accrued interest totaling $77,964,771, revenue bonds totaling $7,023,904, and certificates of participation and commercial paper totaling $493,770 are not due and payable in the current period and are not reported in the funds.		(85,482,445)
• The following liabilities are not due and payable in the current period and are not reported in the funds:		
Compensated absences	(3,527,945)	
Capital leases	(274,760)	
Net pension liability	(56,753,085)	
Net other postemployment benefits obligation	(21,075,900)	
Mandated cost claims	(2,787,639)	
Workers' compensation	(3,401,590)	
Proposition 98 funding guarantee	(1,256,469)	
Pollution remediation obligations	(1,133,606)	
Other noncurrent liabilities	(16,386)	
		(90,227,380)
Net position of governmental activities		**$ (42,417,813)**

The notes to the financial statements are an integral part of this statement.

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Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2015

(amounts in thousands)

	General	Federal
REVENUES		
Personal income taxes	$ 76,879,115	$ —
Sales and use taxes	23,639,933	—
Corporation taxes	10,780,647	—
Motor vehicle excise taxes	—	—
Insurance taxes	2,456,208	—
Other taxes	690,901	—
Intergovernmental	—	86,202,193
Licenses and permits	8,025	—
Charges for services	298,709	—
Fees	257,260	—
Penalties	590,604	27
Investment and interest	25,412	—
Escheat	400,768	—
Other	749,792	—
Total revenues	**116,777,374**	**86,202,220**
EXPENDITURES		
Current:		
General government	5,225,800	1,015,259
Education	55,130,065	7,048,306
Health and human services	29,547,182	73,303,228
Resources	1,322,656	143,225
State and consumer services	15,781	5,602
Business and transportation	10,728	3,772,675
Correctional programs	9,748,977	56,625
Capital outlay	625,282	—
Debt service:		
Bond and commercial paper retirement	2,390,345	78,090
Interest and fiscal charges	3,146,751	6,199
Total expenditures	**107,163,567**	**85,429,209**
Excess (deficiency) of revenues over (under) expenditures	9,613,807	773,011
OTHER FINANCING SOURCES (USES)		
General obligation bonds and commercial paper issued	—	—
Refunding debt issued	—	—
Payment to refund long-term debt	—	—
Premium on bonds issued	268,740	—
Remarketing bonds issued	—	—
Payment to remarketing agent	—	—
Capital leases	625,282	—
Transfers in	734,875	—
Transfers out	(6,026,740)	(766,705)
Total other financing sources (uses)	**(4,397,843)**	**(766,705)**
Net change in fund balances	5,215,964	6,306
Fund balances (deficit) – beginning	**(7,444,596)**	**211,574**
Fund balances (deficit) – ending	**$ (2,228,632)**	**$ 217,880**

* Restated

The notes to the financial statements are an integral part of this statement.

Transportation	Environmental and Natural Resources	Nonmajor Governmental	Total
$ —	$ —	$ 1,366,501	$ 78,245,616
610,124	—	14,139,915	38,389,972
—	—	—	10,780,647
5,393,994	—	—	5,393,994
—	—	1,470,111	3,926,319
5,487	168,474	1,448,013	2,312,875
—	—	1,538,474	87,740,667
4,198,242	380,364	2,684,363	7,270,994
138,981	129,702	282,503	849,895
19,551	2,376,714	6,347,816	9,001,341
44,078	30,185	844,492	1,509,386
19,124	46,398	28,756	119,690
—	—	6,131	406,899
74,042	1,844,862	1,306,448	3,975,144
10,503,623	**4,976,699**	**31,463,523**	**249,923,439**
162,522	106,964	9,691,850	16,202,395
2,919	2,011	769,320	62,952,621
2,759	31,562	19,374,305	122,259,036
185,988	4,093,296	261,281	6,006,446
105,911	74,692	468,788	670,774
10,836,105	265,871	251,838	15,137,217
—	—	1,377,324	11,182,926
—	282,964	111,089	1,019,335
1,063,171	326,213	4,624,561	8,482,380
4,460	15,910	1,300,479	4,473,799
12,363,835	**5,199,483**	**38,230,835**	**248,386,929**
(1,860,212)	(222,784)	(6,767,312)	1,536,510
3,274,250	337,720	731,195	4,343,165
182,295	802,055	4,001,750	4,986,100
(46,070)	(612,325)	(3,106,698)	(3,765,093)
172,522	118,146	557,403	1,116,811
—	—	100,000	100,000
—	—	(100,000)	(100,000)
—	—	—	625,282
28	243,712	4,365,519	5,344,134
(971,974)	(8,660)	(160,675)	(7,934,754)
2,611,051	**880,648**	**6,388,494**	**4,715,645**
750,839	657,864	(378,818)	6,252,155
7,466,224	**7,715,983** *	**11,900,689** *	**19,849,874**
$ 8,217,063	**$ 8,373,847**	**$ 11,521,871**	**$ 26,102,029**

The notes to the financial statements are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

(amounts in thousands)

Net change in fund balances – total governmental funds **$ 6,252,155**

Amounts reported for governmental activities in the Statement of Activities are different from those in the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds because:

- Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current year, these amounts are:

Purchase of assets	5,669,440	
Disposal of assets	(2,264,015)	
Depreciation expense, net of asset disposal	(723,675)	
		2,681,750

- Some revenues in the Statement of Activities do not provide current financial resources, and therefore are unavailable in governmental funds. (325,032)

- Internal service funds are used by management to charge the costs of certain activities, such as building construction and architectural services, procurement, and technology, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. 120,404

- The issuance of long-term debt instruments provides current financial resources to governmental funds, while the repayment of the principal of long-term debt is an expenditure of governmental funds. Neither transaction, however, has any effect on the Statement of Activities. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The following shows the effect of these differences in the treatment of long-term debt and related items:

	General Obligation Bonds	Revenue Bonds	COPs and Commercial Paper	Total	
Debt issued	(6,713,070)	(1,692,050)	(1,024,145)	(9,429,265)	
Premium on debt issued	(890,443)	(226,368)	—	(1,116,811)	
Accreted interest	—	(42,891)	—	(42,891)	
Principal repayments	7,111,215	242,651	1,128,515	8,482,381	
Payments to refund/remarket long-term debt	1,856,369	2,008,724	—	3,865,093	
Related expenses not reported in governmental funds:					
Premium/discount amortization	208,498	24,335	(46)	232,787	
Deferred gain/loss on refunding	(15,191)	(74,141)	(68)	(89,400)	
Prepaid insurance	—	(11,927)	—	(11,927)	
Accrued interest	899	(80)	—	819	
	1,558,277	228,253	104,256		1,890,786

(continued)

The notes to the financial statements are an integral part of this statement.

- The following expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not recognized as expenditures in governmental funds. Once the use of current financal resources is required, expenditures are recognized in governmental funds but are eliminated from the Statement of Activities. In the current period, the net adjustment consist of:

Compensated absences	60,365	
Capital leases	(14,672)	
Net pension liability	382,933	
Net other postemployment benefits obligation	(2,903,353)	
Mandated cost claims	4,927,540	
Workers' compensation	(153,729)	
Proposition 98 funding guarantee	262,999	
Pollution remediation obligations	(51,640)	
Other noncurrent liabilities	4,539	
		2,514,982
Change in net position of governmental activities		**$ 13,135,045**

(concluded)

Statement of Net Position

Proprietary Funds

June 30, 2015

(amounts in thousands)

	Electric Power	Water Resources
ASSETS		
Current assets:		
Cash and pooled investments	$ —	$ 509,569
Amount on deposit with U.S. Treasury	—	—
Investments	—	—
Restricted assets:		
Cash and pooled investments	752,000	—
Due from other governments	—	—
Net investment in direct financing leases	—	—
Receivables (net)	—	79,935
Due from other funds	4,000	996
Due from other governments	—	37,406
Prepaid items	—	—
Inventories	—	5,160
Recoverable power costs (net)	108,000	—
Other current assets	—	—
Total current assets	864,000	633,066
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments	611,000	83,361
Investments	300,000	72,496
Loans receivable	—	—
Investments	—	—
Net investment in direct financing leases	—	—
Receivables (net)	—	—
Interfund receivables	—	93,047
Loans receivable	—	14,061
Recoverable power costs (net)	3,770,000	—
Long-term prepaid charges	—	1,440,309
Capital assets:		
Land	—	139,847
Collections – nondepreciable	—	—
Buildings and other depreciable property	—	4,772,373
Intangible assets – amortizable	—	36,808
Less: accumulated depreciation/amortization	—	(2,074,899)
Construction/development in progress	—	626,600
Intangible assets – nonamortizable	—	115,075
Other noncurrent assets	—	—
Total noncurrent assets	4,681,000	5,319,078
Total assets	**5,545,000**	**5,952,144**
DEFERRED OUTFLOWS OF RESOURCES	**144,000**	**219,326**
Total assets and deferred outflows of resources	**$ 5,689,000**	**$ 6,171,470**

The notes to the financial statements are an integral part of this statement.

Business-type Activities – Enterprise Funds					Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
$ 292,480	$ 3,556,385	$ 343,434	$ 657,956	$ 5,359,824	$ 1,241,466
—	11,643	—	—	11,643	—
93,165	—	2,618,456	—	2,711,621	—
—	—	—	37,320	789,320	2,356,430
—	—	—	20,584	20,584	—
—	—	13,915	—	13,915	466,796
510,582	1,325,458	180,377	31,667	2,128,019	23,549
339	4,356	1,012	1,601	12,304	494,789
—	39,586	—	212,160	289,152	13,519
—	5,223	44,530	14	49,767	115,818
9,941	—	—	3,284	18,385	78,689
—	—	—	—	108,000	—
5,378	—	—	—	5,378	—
911,885	4,942,651	3,201,724	964,586	11,517,912	4,791,056
—	—	99	—	694,460	288,505
—	—	—	—	372,496	—
—	—	—	284,213	284,213	—
846,514	—	586,117	17,969	1,450,600	—
—	—	350,760	—	350,760	6,914,647
—	79,904	268,599	—	348,503	—
—	611,690	—	1,600	706,337	13,955
—	—	85,389	3,958,130	4,057,580	—
—	—	—	—	3,770,000	—
12,380	—	—	—	1,452,689	4,981
9,743	—	86,433	1,272	237,295	2,312
—	—	11,088	—	11,088	—
193,721	22,150	7,268,137	18,591	12,274,972	678,850
—	166,966	132,355	1,500	337,629	68,572
(73,878)	(24,412)	(2,748,541)	(17,633)	(4,939,363)	(570,695)
—	86,302	469,404	261	1,182,567	1,308,687
—	—	686	—	115,761	—
—	—	17,719	3,532	21,251	—
988,480	942,600	6,528,245	4,269,435	22,728,838	8,709,814
1,900,365	**5,885,251**	**9,729,969**	**5,234,021**	**34,246,750**	**13,500,870**
9,648	**24,377**	**648,757**	**4,258**	**1,050,366**	**139,957**
$ 1,910,013	**$ 5,909,628**	**$ 10,378,726**	**$ 5,238,279**	**$ 35,297,116**	**$ 13,640,827**

(continued)

Statement of Net Position (continued)

Proprietary Funds

June 30, 2015
(amounts in thousands)

	Electric Power	Water Resources
LIABILITIES		
Current liabilities:		
Accounts payable	$ 1,344	$ 67,132
Due to other funds	656	45,508
Due to other governments	—	86,900
Revenues received in advance	—	—
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	43,000	11,900
Benefits payable	—	—
Current portion of long-term obligations	750,000	209,386
Other current liabilities	—	939
Total current liabilities	795,000	421,765
Noncurrent liabilities:		
Interfund payables	—	—
Loans payable	—	—
Lottery prizes and annuities	—	—
Compensated absences payable	854	29,392
Workers' compensation benefits payable	—	—
Certificates of participation, commercial paper, and other borrowings	—	87,901
Capital lease obligations	—	—
General obligation bonds payable	—	135,045
Revenue bonds payable	4,881,000	2,588,108
Net other postemployment benefits obligation	6,146	203,219
Net pension liability	5,000	426,935
Revenues received in advance	—	—
Other noncurrent liabilities	—	218,486
Total noncurrent liabilities	4,893,000	3,689,086
Total liabilities	**5,688,000**	**4,110,851**
DEFERRED INFLOWS OF RESOURCES	**1,000**	**855,191**
Total liabilities and deferred inflows of resources	**5,689,000**	**4,966,042**
NET POSITION		
Net investment in capital assets	—	1,105,692
Restricted:		
Nonexpendable – endowments	—	—
Expendable:		
Construction	—	99,736
Debt service	—	—
Security for revenue bonds	—	—
Lottery	—	—
Unemployment programs	—	—
Other purposes	—	—
Total expendable	—	99,736
Unrestricted	—	—
Total net position (deficit)	**—**	**1,205,428**
Total liabilities, deferred inflows of resources, and net position	**$ 5,689,000**	**$ 6,171,470**

The notes to the financial statements are an integral part of this statement.

Business-type Activities – Enterprise Funds					Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
$ 52,237	$ 3,679	$ 189,077	$ 4,127	$ 317,596	$ 338,324
359,587	80,840	133	1,728	488,452	132,661
—	38,063	—	37	125,000	451
2,923	25,798	283,549	33	312,303	354,508
—	—	—	—	—	685
—	—	—	—	—	13,986
—	—	—	12,219	67,119	123,108
—	474,410	—	—	474,410	—
600,064	—	473,682	44,410	2,077,542	549,798
205	50,122	415,453	51	466,770	29,176
1,015,016	672,912	1,361,894	62,605	4,329,192	1,542,697
—	—	—	—	—	139,673
—	5,670,653	—	—	5,670,653	—
742,955	—	—	—	742,955	—
—	46,058	103,475	8,611	188,390	157,202
2,396	—	—	580	2,976	46,080
—	—	1,100	—	89,001	—
—	—	1,135,691	—	1,135,691	—
—	—	—	444,273	579,318	—
—	—	3,809,849	390,620	11,669,577	10,583,876
49,146	149,904	313,360	13,401	735,176	517,744
80,716	202,113	5,513,655	20,557	6,248,976	703,156
—	—	13,213	—	13,213	—
—	—	154,370	62,281	435,137	16,327
875,213	6,068,728	11,044,713	940,323	27,511,063	12,164,058
1,890,229	**6,741,640**	**12,406,607**	**1,002,928**	**31,840,255**	**13,706,755**
15,766	**39,875**	**1,086,748**	**3,902**	**2,002,482**	**142,807**
1,905,995	**6,781,515**	**13,493,355**	**1,006,830**	**33,842,737**	**13,849,562**
129,585	251,006	787,972	3,997	2,278,252	291,868
—	—	13,448	—	13,448	—
—	—	7,623	—	107,359	140,534
—	—	6,102	37,320	43,422	1,166
—	—	—	304,797	304,797	—
94,229	—	—	—	94,229	—
—	3,601,837	—	—	3,601,837	—
—	—	45,343	326,509	371,852	—
94,229	3,601,837	59,068	668,626	4,523,496	141,700
(219,796)	(4,724,730)	(3,975,117)	3,558,826	(5,360,817)	(642,303)
4,018	**(871,887)**	**(3,114,629)**	**4,231,449**	**1,454,379**	**(208,735)**
$ 1,910,013	**$ 5,909,628**	**$ 10,378,726**	**$ 5,238,279**	**$ 35,297,116**	**$ 13,640,827**

(concluded)

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

Year Ended June 30, 2015

(amounts in thousands)

	Electric Power	Water Resources
OPERATING REVENUES		
Unemployment and disability insurance	$ —	$ —
Lottery ticket sales	—	—
Power sales	(132,000)	91,780
Student tuition and fees	—	—
Services and sales	—	927,598
Investment and interest	—	—
Rent	—	—
Grants and contracts	—	—
Other	—	—
Total operating revenues	**(132,000)**	**1,019,378**
OPERATING EXPENSES		
Lottery prizes	—	—
Power purchases (net of recoverable power costs)	(144,000)	202,780
Personal services	—	320,684
Supplies	—	—
Services and charges	12,000	83,943
Depreciation	—	81,495
Scholarships and fellowships	—	—
Distributions to beneficiaries	—	—
Interest expense	—	—
Amortization (recovery) of long-term prepaid charges	—	—
Other	—	—
Total operating expenses	**(132,000)**	**688,902**
Operating income (loss)	—	330,476
NONOPERATING REVENUES (EXPENSES)		
Donations and grants	—	—
Private gifts	—	—
Investment and interest income	931,000	—
Interest expense and fiscal charges	(931,000)	(96,082)
Lottery payments for education	—	—
Other	—	(234,394)
Total nonoperating revenues (expenses)	**—**	**(330,476)**
Income (loss) before capital contributions and transfers	—	—
Capital contributions	—	—
Transfers in	—	—
Transfers out	—	—
Change in net position	—	—
Total net position (deficit) – beginning	**—**	**1,205,428**
Total net position (deficit) – ending	**$ —**	**$ 1,205,428**

*Restated

The notes to the financial statements are an integral part of this statement.

Business-type Activities – Enterprise Funds					Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
$ —	$ 13,394,669	$ —	$ —	$ 13,394,669	$ —
5,524,851	—	—	—	5,524,851	—
—	—	—	—	(40,220)	—
—	—	2,149,786	—	2,149,786	—
—	—	493,790	87,486	1,508,874	2,927,077
—	—	—	107,946	107,946	8,343
—	—	—	176	176	454,488
—	—	99,546	—	99,546	—
—	—	194,216	5,437	199,653	—
5,524,851	**13,394,669**	**2,937,338**	**201,045**	**22,945,281**	**3,389,908**
3,501,746	—	—	—	3,501,746	—
—	—	—	—	58,780	—
70,482	166,147	4,201,095	43,154	4,801,562	753,850
16,435	—	1,261,999	32,968	1,311,402	11,926
563,997	83,463	—	33,107	776,510	1,967,059
8,950	7,936	279,039	342	377,762	52,623
—	—	888,558	—	888,558	—
—	11,132,681	—	—	11,132,681	—
—	—	—	33,726	33,726	493,209
—	—	—	—	—	3,347
—	—	—	752	752	23,429
4,161,610	**11,390,227**	**6,630,691**	**144,049**	**22,883,479**	**3,305,443**
1,363,241	2,004,442	(3,693,353)	56,996	61,802	84,465
—	—	1,666,292	—	1,666,292	—
—	—	48,060	—	48,060	—
28,514	8,233	42,851	1,281	1,011,879	905
(34,147)	—	(217,098)	(293)	(1,278,620)	(18)
(1,364,542)	—	—	—	(1,364,542)	—
53	—	85,739	(495)	(149,097)	(598)
(1,370,122)	**8,233**	**1,625,844**	**493**	**(66,028)**	**289**
(6,881)	2,012,675	(2,067,509)	57,489	(4,226)	84,754
—	—	—	107,746	107,746	—
—	—	2,564,182	—	2,564,182	100,102
—	—	—	(9,212)	(9,212)	(64,452)
(6,881)	2,012,675	496,673	156,023	2,658,490	120,404
10,899 *	**(2,884,562)** *	**(3,611,302)** *	**4,075,426** *	**(1,204,111)**	**(329,139)** *
$ 4,018	**$ (871,887)**	**$ (3,114,629)**	**$ 4,231,449**	**$ 1,454,379**	**$ (208,735)**

The notes to the financial statements are an integral part of this statement.

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2015

(amounts in thousands)

	Electric Power	Water Resources
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers/employers	$ (133,000)	$ 949,100
Receipts from interfund services provided	—	—
Payments to suppliers	(19,000)	(283,286)
Payments to employees	(2,000)	(320,684)
Payments for interfund services used	—	—
Payments for Lottery prizes	—	—
Claims paid to other than employees	—	—
Other receipts (payments)	227,000	2,647
Net cash provided by (used in) operating activities	**73,000**	**347,777**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Changes in interfund payables and loans payable	—	—
Receipt of bond charges	905,000	—
Proceeds from general obligation bonds	—	—
Proceeds from revenue bonds	1,000	—
Retirement of general obligation bonds	—	—
Retirement of revenue bonds	(618,000)	—
Payment to advance refund escrow agent	(29,000)	—
Interest paid	(268,000)	—
Transfers in	—	—
Transfers out	—	—
Grants received	—	—
Lottery payments for education	—	—
Other	—	1,170
Net cash provided by (used in) noncapital financing activities	**(9,000)**	**1,170**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	—	(227,636)
Proceeds from sale of capital assets	—	—
Proceeds from notes payable and commercial paper	—	191,229
Principal paid on notes payable and commercial paper	—	(139,465)
Proceeds from capital leases	—	—
Payment on capital debt and leases	—	—
Retirement of general obligation bonds	—	(56,875)
Proceeds from revenue bonds	—	246,873
Retirement of revenue bonds	—	(115,580)
Interest paid	—	(210,661)
Grants received	—	—
Net cash provided by (used in) capital and related financing activities	**—**	**(312,115)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	—	(100,866)
Proceeds from maturity and sale of investments	—	100,866
Earnings on investments	19,000	6,392
Net cash provided by (used in) investing activities	**19,000**	**6,392**
Net increase (decrease) in cash and pooled investments	83,000	43,224
Cash and pooled investments – beginning	**1,280,000**	**549,706**
Cash and pooled investments – ending	**$ 1,363,000**	**$ 592,930**

The notes to the financial statements are an integral part of this statement.

Business-type Activities – Enterprise Funds					Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
$ 5,438,883	$ 13,291,997	$ 2,663,953	$ 343,050	$ 22,553,983	$ 31,908
—	—	—	1,409	1,409	3,805,178
(212,083)	(83,465)	(1,349,332)	(53,850)	(2,001,016)	(1,680,718)
(56,155)	(160,179)	(4,307,055)	(36,620)	(4,882,693)	(652,097)
(17,933)	(22,463)	—	(425)	(40,821)	—
(3,653,071)	—	—	—	(3,653,071)	—
(380,341)	(11,140,667)	—	—	(11,521,008)	(363,352)
244,862	73,216	(681,633)	(362,234)	(496,142)	(538,546)
1,364,162	**1,958,439**	**(3,674,067)**	**(108,670)**	**(39,359)**	**602,373**
—	(1,962,738)	2,332	—	(1,960,406)	1,124
—	—	—	—	905,000	—
—	—	—	110,000	110,000	—
—	—	96,341	—	97,341	—
—	—	—	(77,455)	(77,455)	—
—	—	(91,496)	(25,960)	(735,456)	—
—	—	—	—	(29,000)	—
—	—	(15,607)	(1,717)	(285,324)	(18)
—	—	2,564,182	—	2,564,182	100,102
—	—	—	(9,212)	(9,212)	(64,452)
—	—	1,857,365	106,889	1,964,254	—
(1,347,102)	—	—	—	(1,347,102)	—
—	—	53,753	4,000	58,923	1,819
(1,347,102)	**(1,962,738)**	**4,466,870**	**106,545**	**1,255,745**	**38,575**
(43,206)	(2,047)	(458,210)	(495)	(731,594)	(1,351,051)
39	—	2,363	—	2,402	780
—	—	—	—	191,229	—
—	—	—	—	(139,465)	—
—	—	3,994	—	3,994	—
—	—	(491,404)	—	(491,404)	—
—	—	—	—	(56,875)	—
—	—	911,531	—	1,158,404	840,614
—	—	(468,954)	—	(584,534)	(982,847)
—	—	—	—	(210,661)	—
—	—	15,046	—	15,046	—
(43,167)	**(2,047)**	**(485,634)**	**(495)**	**(843,458)**	**(1,492,504)**
(134,891)	—	(9,189,606)	(3,000)	(9,428,363)	—
115,983	13,572	8,757,747	10,233	8,998,401	—
21,234	8,233	22,163	1,272	78,294	885
2,326	**21,805**	**(409,696)**	**8,505**	**(351,668)**	**885**
(23,781)	15,459	(102,527)	5,885	21,260	(850,671)
316,261	**3,540,926**	**446,060**	**689,391**	**6,822,344**	**4,737,072**
$ 292,480	**$ 3,556,385**	**$ 343,533**	**$ 695,276**	**$ 6,843,604**	**$ 3,886,401**

(continued)

The notes to the financial statements are an integral part of this statement.

Statement of Cash Flows (continued)

Proprietary Funds

Year Ended June 30, 2015

(amounts in thousands)

	Electric Power	Water Resources
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	$ —	$ 330,476
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	—	81,495
Provisions and allowances	—	—
Amortization of premiums and discounts	—	—
Amortization of long-term prepaid charges and credits	—	(469,142)
Other	—	2,647
Change in account balances:		
Receivables	—	(44,866)
Due from other funds	—	—
Due from other governments	—	2,023
Prepaid items	—	—
Inventories	—	43
Net investment in direct financing leases	—	—
Recoverable power costs (net)	75,000	—
Other current assets	—	—
Loans receivable	—	—
Deferred outflow of resources	1,000	—
Accounts payable	(4,000)	446,542
Due to other funds	—	(2,616)
Due to component units	—	—
Due to other governments	—	1,175
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	—	—
Revenues received in advance	—	—
Other current liabilities	—	—
Benefits payable	—	—
Lottery prizes and annuities	—	—
Compensated absences payable	1,000	—
Other noncurrent liabilities	—	—
Deferred inflow of resources	—	—
Total adjustments	73,000	17,301
Net cash provided by (used in) operating activities	**$ 73,000**	**$ 347,777**
Noncash investing, capital, and financing activities:		
Interest accreted on annuitized prizes	$ —	$ —
Interest accreted on zero coupon bonds	—	—
Unclaimed lottery prizes directly allocated to another entity	—	—
Long-term debt retirement from bond issuance	—	689,780
Contributed capital assets	—	—
Change in accrued capital asset purchases	—	—
Amortization of bond premium and discount	80,000	15,614
Amortization of deferred loss on refundings	22,000	10,000
Bond proceeds paid directly to advance refund escrow agent	917,000	—
Accrued interest on refunded revenue bonds	20,000	—
Other miscellaneous noncash transactions	2,000	—

The notes to the financial statements are an integral part of this statement.

Business-type Activities – Enterprise Funds					Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
$ 1,363,241	$ 2,004,442	$ (3,693,353)	$ 56,996	$ 61,802	$ 84,465
8,950	7,936	279,039	342	377,762	52,623
1,013	—	—	(46)	967	—
—	—	—	280	280	(61,129)
—	—	—	—	(469,142)	820
14	—	(89,941)	(16,582)	(103,862)	30,412
(108,055)	(65,453)	(27,696)	127	(245,943)	84,360
—	27,026	1,012	116	28,154	41,320
—	477	—	1,866	4,366	7,430
3,802	—	(5,528)	3,299	1,573	(8,098)
(2,455)	—	—	(160)	(2,572)	(1,989)
—	—	—	—	—	417,111
—	—	—	—	75,000	—
(74)	—	—	181	107	—
—	—	—	(154,220)	(154,220)	—
(2,304)	(6,062)	(94,812)	(572)	(102,750)	(3,694)
(1,205)	(2)	(6,657)	906	435,584	(64,093)
(8,839)	31,740	—	461	20,746	(58,957)
—	—	—	—	—	87
—	(5,365)	—	30	(4,160)	(544)
—	—	84	—	84	256
—	—	—	—	—	(1,216)
—	—	—	856	856	4,164
(56)	(37,219)	29,766	4	(7,505)	39,486
37	(3,125)	(4,434)	(2,425)	(9,947)	(10,726)
—	(7,986)	27,136	666	19,816	3,215
93,485	—	—	—	93,485	—
—	(5,370)	12,934	5,823	14,387	(9,514)
842	(22,475)	(1,188,361)	(10,311)	(1,220,305)	(86,223)
15,766	39,875	1,086,744	3,693	1,146,078	142,807
921	(46,003)	19,286	(165,666)	(101,161)	517,908
$ 1,364,162	**$ 1,958,439**	**$ (3,674,067)**	**$ (108,670)**	**$ (39,359)**	**$ 602,373**
					(concluded)
$ 34,147	$ —	$ —	$ —	$ 34,147	$ —
15,425	—	—	—	15,425	—
27,177	—	—	—	27,177	—
—	—	—	—	689,780	—
—	—	36,232	—	36,232	—
—	—	10,605	—	10,605	—
—	—	17,545	—	113,159	—
—	—	5,699	—	37,699	—
—	—	—	—	917,000	—
—	—	—	—	20,000	—
(7,490)	—	8,363	3,977	6,850	—

Statement of Fiduciary Net Position

Fiduciary Funds and Similar Component Units

June 30, 2015
(amounts in thousands)

	Private Purpose Trust	Pension and Other Employee Benefit Trust	Investment Trust — Local Agency Investment	Agency
ASSETS				
Cash and pooled investments	$ 101,928	$ 2,940,340	$ 21,504,127	$ 4,827,693
Investments, at fair value:				
Short-term	—	12,707,656	—	—
Equity securities	3,349,734	268,578,798	—	—
Debt securities	2,031,408	115,764,947	—	—
Real estate	198,961	57,568,471	—	—
Other	849,852	57,427,128	—	—
Securities lending collateral	—	28,888,660	—	—
Total investments	6,429,955	540,935,660	—	—
Receivables (net)	10,477	5,926,837	—	1,926,646
Due from other funds	9,849	608,354	—	16,371,599
Due from other governments	—	3,129	—	33,856
Prepaid items	—	—	—	26,492
Loans receivable	—	35,558	—	6,459
Other assets	155,984	932,630	—	89
Total assets	**6,708,193**	**551,382,508**	**21,504,127**	**$ 23,192,834**
DEFERRED OUTFLOWS OF RESOURCES	**—**	**16,501**	**—**	
Total assets and deferred outflows of resources	**6,708,193**	**551,399,009**	**21,504,127**	
LIABILITIES				
Accounts payable	39,809	3,801,498	29	$ 14,886,579
Due to other governments	—	1,184	14,950	5,628,542
Tax overpayments	—	—	—	1,100
Benefits payable	—	2,821,114	—	—
Revenues received in advance	—	—	—	27,336
Deposits	155,984	—	—	1,151,203
Securities lending obligations	—	28,897,720	—	—
Loans payable	—	1,447,405	—	—
Other liabilities	8,737	919,688	—	1,498,074
Total liabilities	**204,530**	**37,888,609**	**14,979**	**$ 23,192,834**
DEFERRED INFLOWS OF RESOURCES	**—**	**27,234**	**—**	
Total liabilities and deferred inflows of resources	**204,530**	**37,915,843**	**14,979**	
NET POSITION				
Restricted for pension benefits, pool participants, and other employee benefits	**$ 6,503,663**	**$ 513,483,166**	**$ 21,489,148**	

The notes to the financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position

Fiduciary Funds and Similar Component Units

Year Ended June 30, 2015

(amounts in thousands)

	Private Purpose Trust	Pension and Other Employee Benefit Trust	Investment Trust Local Agency Investment
ADDITIONS			
Contributions:			
Employer	$ —	$ 14,750,955	$ —
Plan member	—	7,365,689	—
Non-employer	—	1,425,796	—
Total contributions	—	23,542,440	—
Investment income:			
Net appreciation (depreciation) in fair value of investments	(155,564)	9,012,090	—
Interest, dividends, and other investment income	319,385	7,079,959	54,171
Less: investment expense	(3,832)	(1,399,844)	—
Net investment income	159,989	14,692,205	54,171
Receipts from depositors	3,254,403	—	21,814,940
Other	—	46,129	—
Total additions	**3,414,392**	**38,280,774**	**21,869,111**
DEDUCTIONS			
Distributions paid and payable to participants	—	32,818,765	52,505
Refunds of contributions	—	337,913	—
Administrative expense	—	520,134	1,666
Payments to and for depositors	3,051,624	1,182,770	21,445,867
Total deductions	**3,051,624**	**34,859,582**	**21,500,038**
Change in net position	362,768	3,421,192	369,073
Net position – beginning	**6,140,895**	**510,061,974** *	**21,120,075**
Net position – ending	**$ 6,503,663**	**$ 513,483,166**	**$ 21,489,148**

* Restated

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Discretely Presented Component Units Financial Statements

Statement of Net Position

Discretely Presented Component Units – Enterprise Activity

June 30, 2015
(amounts in thousands)

	University of California	California Housing Finance Agency
ASSETS		
Current assets:		
Cash and pooled investments	$ 357,200	$ 1,118,938
Investments	7,328,527	61,762
Restricted assets:		
Cash and pooled investments	—	—
Investments	—	—
Receivables (net)	3,496,109	177,151
Due from primary government	167,349	—
Due from other governments	92,938	—
Prepaid items	—	429
Inventories	207,457	—
Other current assets	243,475	34,582
Total current assets	11,893,055	1,392,862
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments	—	—
Investments	—	—
Investments	23,800,070	288,083
Receivables (net)	2,301,059	—
Loans receivable	—	3,292,045
Long-term prepaid charges	—	—
Capital assets:		
Land	972,954	—
Collections – nondepreciable	384,221	—
Buildings and other depreciable property	44,441,009	1,546
Intangible assets – amortizable	853,032	—
Less: accumulated depreciation/amortization	(20,835,110)	(792)
Construction in progress	2,826,673	—
Intangible assets – nonamortizable	—	—
Other noncurrent assets	233,814	14,954
Total noncurrent assets	54,977,722	3,595,836
Total assets	**66,870,777**	**4,988,698**
DEFERRED OUTFLOWS OF RESOURCES	**5,651,870**	**28,302**
Total assets and deferred outflows of resources	**$ 72,522,647**	**$ 5,017,000**

The notes to the financial statements are an integral part of this statement.

Nonmajor Component Units	Total
$ 1,149,231	$ 2,625,369
422,252	7,812,541
219,958	219,958
3,304	3,304
424,873	4,098,133
1,311	168,660
—	92,938
928	1,357
—	207,457
58,815	336,872
2,280,672	15,566,589
29,185	29,185
4,700	4,700
1,898,632	25,986,785
220,783	2,521,842
298,187	3,590,232
—	—
152,509	1,125,463
9,959	394,180
2,013,366	46,455,921
10,311	863,343
(1,016,326)	(21,852,228)
32,357	2,859,030
5,098	5,098
46,134	294,902
3,704,895	62,278,453
5,985,567	**77,845,042**
26,570	**5,706,742**
$ 6,012,137	**$ 83,551,784**

(continued)

Statement of Net Position (continued)

Discretely Presented Component Units – Enterprise Activity

June 30, 2015
(amounts in thousands)

	University of California	California Housing Finance Agency
LIABILITIES		
Current liabilities:		
Accounts payable	$ 1,670,011	$ 74,183
Due to other governments	—	—
Revenues received in advance	1,065,978	—
Deposits	640,955	221,569
Contracts and notes payable	—	—
Interest payable	—	48,180
Securities lending obligations	812,088	—
Current portion of long-term obligations	3,788,795	59,596
Other current liabilities	1,649,966	218
Total current liabilities	9,627,793	403,746
Noncurrent liabilities:		
Compensated absences payable	274,373	—
Workers' compensation benefits payable	353,138	—
Certificates of participation, commercial paper, and other borrowings	—	—
Capital lease obligations	109,596	—
Revenue bonds payable	16,300,896	2,860,893
Net other postemployment benefits obligation	9,390,079	25,756
Net pension liability	10,670,953	43,722
Other noncurrent liabilities	1,183,147	225,358
Total noncurrent liabilities	38,282,182	3,155,729
Total liabilities	**47,909,975**	**3,559,475**
DEFERRED INFLOWS OF RESOURCES	**5,329,276**	**8,230**
Total liabilities and deferred inflows of resources	**53,239,251**	**3,567,705**
NET POSITION		
Net investment in capital assets	12,138,049	754
Restricted:		
Nonexpendable – endowments	4,533,644	—
Expendable:		
Endowments and gifts	10,411,034	—
Education	824,786	—
Indenture	—	531,976
Employee benefits	—	—
Workers' compensation liability	—	—
Statute	—	984,897
Other purposes	—	—
Total expendable	11,235,820	1,516,873
Unrestricted	(8,624,117)	(68,332)
Total net position	**19,283,396**	**1,449,295**
Total liabilities, deferred inflows of resources, and net position	**$ 72,522,647**	**$ 5,017,000**

The notes to the financial statements are an integral part of this statement.

Nonmajor Component Units	Total
$ 696,301	$ 2,440,495
2	2
74,397	1,140,375
1,301	863,825
26,518	26,518
1,607	49,787
—	812,088
288,634	4,137,025
118,693	1,768,877
1,207,453	11,238,992
12,423	286,796
57,191	410,329
2,424	2,424
353,907	463,503
299,931	19,461,720
109,004	9,524,839
99,627	10,814,302
437,115	1,845,620
1,371,622	42,809,533
2,579,075	**54,048,525**
30,940	**5,368,446**
2,610,015	**59,416,971**
531,161	12,669,964
1,004,024	5,537,668
10,203	10,421,237
932,597	1,757,383
—	531,976
—	—
—	—
281,788	1,266,685
16,092	16,092
1,240,680	13,993,373
626,257	(8,066,192)
3,402,122	**24,134,813**
$ 6,012,137	**$ 83,551,784**

(concluded)

The notes to the financial statements are an integral part of this statement.

Statement of Activities

Discretely Presented Component Units – Enterprise Activity

Year Ended June 30, 2015

(amounts in thousands)

	University of California	California Housing Finance Agency
OPERATING EXPENSES		
Personal services	$ 18,565,392	$ 28,868
Scholarships and fellowships	547,072	—
Supplies	2,876,444	—
Services and charges	273,042	18,329
Department of Energy laboratories	1,228,125	—
Depreciation	1,697,915	243
Interest expense and fiscal charges	662,514	89,960
Grants provided	827,466	—
Other	4,181,381	69,303
Total operating expenses	**30,859,351**	**206,703**
PROGRAM REVENUES		
Charges for services	18,629,708	52,796
Operating grants and contributions	8,695,729	—
Capital grants and contributions	186,836	—
Total program revenues	**27,512,273**	**52,796**
Net revenues (expenses)	(3,347,078)	(153,907)
GENERAL REVENUES		
Investment and interest income	1,191,968	239,262
Other	2,630,580	15,299
Total general revenues	**3,822,548**	**254,561**
Change in net position	475,470	100,654
Net position – beginning	**18,807,926**	**1,348,641** *
Net position – ending	**$ 19,283,396**	**$ 1,449,295**

* Restated

The notes to the financial statements are an integral part of this statement.

Nonmajor Component Units		Total
$ 505,912		$ 19,100,172
52,270		599,342
11,221		2,887,665
1,205,843		1,497,214
—		1,228,125
72,173		1,770,331
31,840		784,314
—		827,466
84,243		4,334,927
1,963,502		**33,029,556**
1,009,482		19,691,986
546,288		9,242,017
39,320		226,156
1,595,090		**29,160,159**
(368,412)		(3,869,397)
33,073		1,464,303
423,311		3,069,190
456,384		**4,533,493**
87,972		664,096
3,314,150	*	**23,470,717**
$ 3,402,122		**$ 24,134,813**

The notes to the financial statements are an integral part of this statement.

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Notes to the Financial Statements – Index

Note 1. Summary of Significant Accounting Policies 71
A. Reporting Entity 71
1. Blended Component Units 72
2. Fiduciary Component Units 72
3. Discretely Presented Component Units 73
4. Joint Venture 74
5. Related Organizations 74
B. Government-wide and Fund Financial Statements 76
C. Measurement Focus and Basis of Accounting 79
1. Government-wide Financial Statements 79
2. Fund Financial Statements 79
D. Cash and Investments 80
E. Receivables 80
F. Inventories 80
G. Net Investment in Direct Financing Leases 80
H. Long-term Prepaid Charges 81
I. Capital Assets 81
J. Long-term Obligations 82
K. Compensated Absences 82
L. Deferred Outflows and Deferred Inflows of Resources 83
1. Deferred Outflows of Resources 83
2. Deferred Inflows of Resources 83
M. Abnormal Account Balances 84
N. Nonmajor Enterprise Segment Information 84
O. Net Position and Fund Balance 85
1. Net Position 85
2. Fund Balance 85
3. Budget Stabilization Account 86
P. Restatement of Beginning Fund Balances and Net Position 86
1. Fund Financial Statements 86
2. Government-wide Financial Statements 88
Q. Guaranty Deposits 88
Note 2. Budgetary and Legal Compliance 88
A. Budgeting and Budgetary Control 88
B. Legal Compliance 89

Note 3. Deposits and Investments 89
A. Primary Government 89
1. Control of State Funds 89
2. Valuation of State Investments 90
3. Oversight of Investing Activities 91
4. Risk of Investments 92
a. Interest Rate Risk 93
b. Credit Risk 94
c. Custodial Credit Risk 94
d. Concentration of Credit Risk 94
B. Fiduciary Funds 95
C. Discretely Presented Component Units 95
Note 4. Accounts Receivable 96
Note 5. Restricted Assets 98
Note 6. Net Investment in Direct Financing Leases 99
Note 7. Capital Assets 100
Note 8. Accounts Payable 102
Note 9. Short-term Financing 104
Note 10. Long-term Obligations 104
Note 11. Certificates of Participation 108
Note 12. Commercial Paper and Other Long-term Borrowings 108
Note 13. Leases 109
Note 14. Commitments 110
Note 15. General Obligation Bonds 112
A. Variable-rate General Obligation Bonds 112
B. Economic Recovery Bonds 113
C. Mandatory Tender Bonds 113
D. Build America Bonds 113
E. Debt Service Requirements 114
F. General Obligation Bond Defeasances 114
1. Current Year 114
2. Prior Years 115
Note 16. Revenue Bonds 115
A. Governmental Activities 115
B. Business-type Activities 116
C. Discretely Presented Component Units 116

D. Revenue Bond Defeasances 118
1. Current Year – Governmental Activities 118
2. Current Year – Business-type Activities 119
3. Prior Years 119
Note 17. Service Concession Arrangements 119
Note 18. Interfund Balances and Transfers 120
A. Interfund Balances 120
B. Interfund Transfers 126
Note 19. Fund Balances, Fund and Net Position Deficits, and Endowments 128
A. Fund Balances 128
B. Fund and Net Position Deficits 129
C. Discretely Presented Component Unit Endowments and Gifts 129
Note 20. Risk Management 129
Note 21. Deferred Outflows and Deferred Inflows of Resources 131
Note 22. No Commitment Debt 131
Note 23. Contingent Liabilities 132
A. Litigation 132
B. Federal Audit Exceptions 133
Note 24. Pension Trusts 134
A. California Public Employees' Retirement System 135
1. Public Employees' Retirement Fund (PERF) 135
2. Single-employer Plans 145
B. California State Teachers' Retirement System 153
Note 25. Postemployment Health Care Benefits 158
Note 26. Subsequent Events 160
A. Debt Issuances 160
B. Other 161

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Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements present information on the financial activities of the State of California over which the Governor, the Legislature, and other elected officials have direct or indirect governing and fiscal control. These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The provisions of the following Governmental Accounting Standards Board (GASB) Statements have been implemented for the year ended June 30, 2015:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, both effective for the fiscal year ended June 30, 2015. The primary objective of these statements is to improve accounting and financial reporting by state and local governments for pensions. These statements establish standards for measuring and recognizing net pension liability, deferred outflows of resources, deferred inflows of resources, and expenses related to the State's defined benefit pension plans administered by the California Public Employees' Retirement System. These statements also address the circumstances in which the State, as a non-employer entity, has a legal requirement to make contributions directly to the California State Teachers' Retirement System's pension plans in accordance with provisions of the California Education Code. In addition, these statements necessitate new note disclosures and required supplementary information related to pension plans.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for the fiscal year ended June 30, 2015. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement provides guidance for the following government combinations: (a) mergers of legally separate entities in which no significant consideration is exchanged, (b) acquisitions in which a government acquires another entity or the operations of another entity in exchange for significant consideration, and (c) transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. In addition, this statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. This statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

A. Reporting Entity

These financial statements present the primary government of the State and its component units. The **primary government** consists of all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from the State. **Component units** are organizations that are legally separate from the State, but for which the State is financially accountable, or organizations whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading. Following is information on the blended, fiduciary, and discretely presented component units of the State.

1. Blended Component Units

Blended component units, although legally separate entities, are in substance part of the primary government's operations. Therefore, data from these blended component units are integrated into the appropriate funds for reporting purposes.

Building authorities are blended component units because they have been created through the use of joint exercise of powers agreements with various cities to finance the construction of state buildings. The building authorities' financial activities are reported in capital projects funds. As a result, capital lease arrangements between the building authorities and the State have been eliminated from the financial statements. Instead, only the underlying capital assets and the debt used to acquire them are reported in the government-wide financial statements. For information regarding obtaining copies of the financial statements of the building authorities, email the State Controller's Office, Division of Accounting and Reporting at StateGovReports@sco.ca.gov.

The *Golden State Tobacco Securitization Corporation (GSTSC)* is a not-for-profit corporation established through legislation in September 2002 solely for the purpose of purchasing Tobacco Settlement Revenues from the State. The five voting members of the State Public Works Board serve ex officio as the directors of the corporation. The GSTSC is authorized to issue bonds as necessary to provide sufficient funds for carrying out its purpose. The GSTSC's financial activity is reported in the combining statements in the Nonmajor Governmental Funds section as a special revenue fund. For information regarding obtaining copies of the financial statements of GSTSC, contact the Department of Finance, Natural Resources, Energy, Environmental, and Capital Outlay Section, 915 L Street, 9th Floor, Sacramento, California 95814.

2. Fiduciary Component Units

The State has two legally separate fiduciary component units that administer pension and other employee benefit trust funds. The State appoints a voting majority of the board members of both plans which, due to their fiduciary nature, are presented in the Fiduciary Fund Statements as pension and other employee benefit trust funds, along with other primary government fiduciary funds.

The *California Public Employees' Retirement System (CalPERS)* administers pension plans for state employees, non-teaching school employees, and employees of California public agencies. Its Board of Administration has plenary authority and fiduciary responsibility for the investment of monies and the administration of the plan. CalPERS administers the following seven pension and other employee benefit trust funds: the Public Employees' Retirement Fund, the Judges' Retirement Fund, the Judges' Retirement Fund II, the Legislators' Retirement Fund, the State Peace Officers' and Firefighters' Defined Contribution Plan Fund, the Public Agency Deferred Compensation Plan, and the public employee Supplemental Contributions Program Fund. CalPERS' separately issued financial statements may be found on its website at www.CalPERS.ca.gov.

The *California State Teachers' Retirement System (CalSTRS)* administers pension benefit plans for California public school teachers and certain other employees of the public school system. The State is financially accountable for CalSTRS. CalSTRS administers the following four pension and other employee benefit trust funds: the Defined Benefit Program, the Defined Benefit Supplement Program, the Cash Balance Benefit Program, and the Replacement Benefit Program. CalSTRS' separately issued financial statements may be found on its website at www.CalSTRS.com.

3. Discretely Presented Component Units

Enterprise activity of discretely presented component units is reported in a separate column in the government-wide financial statements. Discretely presented component units are legally separate from the primary government and usually provide services to entities and individuals outside the primary government. Discretely presented component units that report enterprise activity include the University of California, the California Housing Finance Agency, and nonmajor component units. Most component units separately issue their own financial statements. In general, the notes to the financial statements in this publication do not include information found in the component units' separately issued financial statements. Instead, references to the individual component unit financial statements are provided where applicable.

The *University of California* was founded in 1868 as a public, state-supported, land-grant institution. It was written into the State Constitution of 1879 as a public trust to be administered by a governing board, the Regents of the University of California (Regents). The University is a component unit of the State because the State appoints a voting majority of the Regents and provides financial assistance to the University. The University offers defined benefit pension plans and defined contribution pension plans to its employees through the University of California Retirement System (UCRS), a fiduciary responsibility of the Regents. The financial information of the UCRS is not included in the financial statements of this report due to its fiduciary nature. The University's financial statements may be found on its website at www.ucop.edu.

The *California Housing Finance Agency (CalHFA)* was created by the Zenovich-Moscone-Chacon Housing and Home Finance Act, as amended. CalHFA's purpose is to finance the housing needs of persons and families of low and moderate income. It is a component unit of the State because the State appoints a voting majority of CalHFA's governing board and the executive director, who administers the day-to-day operations. CalHFA's financial statements may be found on its website at www.CalHFA.ca.gov.

State legislation created various nonmajor component units to provide certain services outside the primary government and to provide certain private and public entities with a low-cost source of financing for programs deemed to be in the public interest. California State University auxiliary organizations are considered component units because they exist entirely or almost entirely for the direct benefit of the universities. The remaining nonmajor component units are considered component units because the majority of members of their governing boards are appointed by or are members of the primary government, and the primary government can impose its will on the entity; or the entity provides a specific financial benefit to or imposes a financial burden on the primary government. For information regarding obtaining copies of the financial statements of these component units, email the State Controller's Office, Division of Accounting and Reporting at StateGovReports@sco.ca.gov.

The nonmajor consolidated component units segments are:

California State University auxiliary organizations, which provide services primarily to university students through foundations, associated student organizations, student unions, food service entities, book stores, and similar organizations.

Financing authorities, which provide financing for specific purposes. These agencies include:

- The *California Alternative Energy and Advanced Transportation Financing Authority*, which provides financing for alternative energy and advanced transportation technologies;

- The *California Infrastructure and Economic Development Bank*, which provides financing for business development and public improvements; and

- The *California Urban Waterfront Area Restoration Financing Authority*, which provides financing for coastal and inland urban waterfront restoration projects.

District agricultural associations, which exhibit all of the industries, industrial enterprises, resources, and products of the State (the district agricultural association's financial report is as of and for the year ended December 31, 2014).

Other component units, which include the following entities:

- The *University of California Hastings College of the Law*, which was established as the law department of the University of California to provide legal education programs and operates independently under its own board of directors. The college has a discretely presented component unit, the Foundation, which provides private sources of funds for academic programs, scholarships, and faculty research;

- The *State Assistance Fund for Enterprise, Business and Industrial Development Corporation*, which provides financial assistance to small business; and

- The *Public Employees' Contingency Reserve*, which provides health benefit plans for state employees and annuitants.

4. Joint Venture

A joint venture is an entity resulting from a contractual arrangement; it is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control. In such an arrangement, the participants retain an ongoing financial interest or an ongoing financial responsibility in the entity. These entities are not part of the primary government or a component unit.

The State participates in a joint venture called the *Capitol Area Development Authority (CADA)*. CADA was created in 1978 by the joint exercise of powers agreement between the primary government and the City of Sacramento for the location of state buildings and other improvements. CADA is a public entity, separate from the primary government and the city, and is administered by a board of five members—two appointed by the primary government, two appointed by the city, and one appointed by the affirmative vote of at least three of the other four members of the board. The primary government designates the chairperson of the board. Although the primary government does not have an equity interest in CADA, it does have an ongoing financial interest. The primary government subsidizes CADA's operations by leasing land to CADA without consideration; however, the primary government is not obligated to do so. At June 30, 2015, CADA had total assets and deferred outflows of resources of $32.6 million, total liabilities and deferred inflows of resources of $22.9 million, and total net position of $9.7 million. Total revenues for the fiscal year were $10.5 million and expenses were $9.2 million, resulting in an increase in net position of $1.3 million. As the primary government does not have equity interest in CADA, CADA's financial information is not included in the financial statements of this report. Separately issued financial statements may be obtained from the Capitol Area Development Authority, 1522 14th Street, Sacramento, California 95814-5958 or on its website at www.cadanet.org.

5. Related Organizations

A related organization is an organization for which a primary government is accountable because that government appoints a voting majority of the organization's governing board, but for which it is not financially accountable.

Chapter 854 of the Statutes of 1996 created an *Independent System Operator (ISO)*, a state-chartered, nonprofit market institution. The ISO provides centralized control of the statewide electrical transmission grid to ensure the efficient use and reliable operation of the transmission system. The ISO is governed by a five-member board, the members of which are appointed by the Governor and confirmed by the Senate. The State's accountability for this institution does not extend beyond making the initial oversight board appointments. As the primary government is not financially accountable for the ISO, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the ISO, contact the Independent System Operator, P.O. Box 639014, Folsom, California 95763-9014 or go to its website at www.caiso.com.

The *California Earthquake Authority (CEA)*, a legally separate organization, offers earthquake insurance for California homeowners, renters, condominium owners, and mobilehome owners. A three-member board of state-elected officials governs the CEA. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the CEA, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the CEA, contact the California Earthquake Authority, 801 K Street, Suite 1000, Sacramento, California 95814 or go to its website at www.earthquakeauthority.com.

The *State Compensation Insurance Fund (State Fund)* was established by the State through legislation enacted in 1913 to provide an available market for workers' compensation insurance to employees located in California. State Fund operates in competition with other insurance carriers to serve California businesses. The State appoints all 11 members of the State Fund's governing board. The State's accountability for this institution does not extend beyond making the initial oversight board appointments. As the primary government is not financially accountable for the State Fund, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the State Fund, contact the State Compensation Insurance Fund, 333 Bush Street, 8th Floor, San Francisco, California 94104 or go to its website at www.statefundca.com.

The *California Health Benefit Exchange (the Exchange)*, an independent public entity, offers new health insurance to individuals, families, and small businesses. A five-member board of state-elected officials governs the Exchange. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the Exchange, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the Exchange, contact Covered California, P.O. Box 989725, West Sacramento, California 95798-9725.

The *California Pollution Control Financing Authority (CPCFA)* was created through the California Pollution Control Financing Authority Act of 1972. The CPCFA is a legally separate entity that provides financing for pollution control facilities. A three-member board of state-elected officials governs the CPCFA. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the CPCFA, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the CPCFA, contact the State Treasurer's Office, 915 Capitol Mall, Room 457, Sacramento, California 95814 or go to its website at www.treasurer.ca.gov/cpcfa.

The *California Health Facilities Financing Authority (CHFFA)* was established by the State through legislation enacted in 1979. The CHFFA is a legally separate entity that provides financing for the construction, equipping, and acquisition of health facilities. A nine-member board of state-elected officials and appointees govern the CHFFA. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the CHFFA, the

financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the CHFFA, contact the State Treasurer's Office, 915 Capitol Mall, Suite 590, Sacramento, California 95814 or go to its website at www.treasurer.ca.gov/chffa.

The *California Educational Facilities Authority (CEFA)* was created by Board of Control approval in 1974. The CEFA is a legally separate entity established to issue revenue bonds to finance loans for students attending public and private colleges and universities, and to assist private educational institutions of higher learning in financing the expansion and construction of educational facilities. A five-member board of state-elected officials and appointees govern the CEFA. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the CEFA, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements for the CEFA, contact the State Treasurer's Office, 915 Capitol Mall, Suite 590, Sacramento, California 95814 or go to its website at www.treasurer.ca.gov/cefa.

The *California School Finance Authority (CSFA)* was created in 1985. The CSFA is a legally separate entity that provides loans to school and community college districts to assist them in obtaining equipment and facilities. A three-member board of state officials governs the CSFA. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the CSFA, the financial information for this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the CSFA, contact the State Treasurer's Office, 300 South Spring Street, Suite 8500, Los Angeles, California 90013 or go to its website at www.treasurer.ca.gov/csfa.

B. Government-wide and Fund Financial Statements

Government-wide financial statements (the Statement of Net Position and the Statement of Activities) provide information on all of the nonfiduciary activities of the primary government and its component units. The primary government is reported separately from legally separate component units for which the State is financially accountable. Within the primary government, the State's governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The effect of interfund activity has been removed from the statements, with the exception of amounts between governmental and business-type activities, which are presented as internal balances and transfers. Centralized services provided by the General Fund for other funds are charged as direct costs to the funds that received those services. Also, the General Fund recovers the cost of centralized services provided to federal programs from the federal government.

The Statement of Net Position reports all of the financial and capital resources of the government as a whole in a format in which assets and deferred outflows of resources equal liabilities and deferred inflows of resources, plus net position. The Statement of Activities demonstrates the degree to which the expenses of a given function are offset by program revenues. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items that are not program-related are reported as general revenues.

Fund financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and discretely presented component units. A fund is a fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

The State maintains the minimum number of funds consistent with legal and managerial requirements. Fiduciary funds, although excluded from the government-wide statements, are included in the fund financial statements. Major governmental and enterprise funds are reported in separate columns in the fund financial statements. Nonmajor governmental and proprietary funds are grouped into separate columns. Discretely presented component unit statements, which follow the fiduciary fund statements, also separately report the enterprise activity of the major discretely presented component units. In this report, the enterprise activity of nonmajor discretely presented component units is grouped in a separate column.

Governmental fund types are used to account for activities primarily supported by taxes, grants, and similar revenue sources.

The State reports the following major governmental funds:

The *General Fund* is the main operating fund of the State. It accounts for transactions related to resources obtained and used for those services that need not be accounted for in another fund.

The *Federal Fund* accounts for the receipt and use of grants, entitlements, and shared revenues received from the federal government that are all restricted by federal regulations.

The *Transportation Fund* accounts for fuel taxes, including the State's diesel, motor vehicle, and fuel use taxes; bond proceeds; automobile registration fees; and other revenues that are restricted for transportation purposes, including highway and passenger rail construction and transportation safety programs.

The *Environmental and Natural Resources Fund* accounts for fees, bond proceeds, and other revenues that are restricted for maintaining the State's natural resources and improving the environmental quality of its air, land, and water.

Proprietary fund types focus on the determination of operating income, changes in net position, financial position, and cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. For its proprietary funds, the State applies all applicable GASB pronouncements.

The State has two proprietary fund types, enterprise funds and internal service funds.

Enterprise funds record business-type activity for which a fee is charged to external users for goods and services. In addition, the State is required to report activities as enterprise funds in the context of the activity's principal revenue sources when any of the following criteria are met:

- The activity's debt is secured solely by fees and charges of the activity;
- There is a legal requirement to recover costs; or
- The pricing policies of fees and charges are designed to recover costs.

The State reports the following major enterprise funds:

The *Electric Power Fund* accounts for the acquisition and resale of electric power to retail end-use customers.

The *Water Resources Fund* accounts for charges to local water districts and the sale of excess power to public utilities.

The *State Lottery Fund* accounts for the sale of California State Lottery (Lottery) tickets and the Lottery's payments for education.

The *Unemployment Programs Fund* accounts for employer and worker contributions used for payments of unemployment insurance and disability benefits.

The *California State University Fund* accounts for student fees and other receipts from gifts, bequests, donations, federal and state grants, and loans that are used for educational purposes.

Nonmajor enterprise funds account for additional operations that are financed and operated in a manner similar to private business enterprises.

Additionally, the State reports *internal service funds* as a proprietary fund type with governmental activity. Internal service funds account for goods or services provided to other agencies, departments, or governments on a cost-reimbursement basis. The goods and services provided include architectural services, public building construction and improvements, printing and procurement services, goods produced by inmates of state prisons, data processing services, and administrative services related to water delivery. Internal service funds are included in the governmental activities at the government-wide level.

Fiduciary fund types are used to account for assets held by the State. The State acts as a trustee or as an agent for individuals, private organizations, other governments, or other funds. Fiduciary funds, including fiduciary component units, are not included in the government-wide financial statements.

The State has the following four fiduciary fund types:

Private purpose trust funds account for all trust arrangements, other than those properly reported in pension or investment trust funds, whereby principal and income benefit individuals, private organizations, or other governments. The following are the State's largest private purpose trust funds:

The *Scholarshare Program Trust Fund* accounts for money received from participants to fund their beneficiaries' higher education expenses at certain postsecondary educational institutions.

The *Unclaimed Property Fund* accounts for unclaimed money and properties held in trust by the State. Unclaimed money is remitted to the General Fund where it can be used by the State until it is claimed.

Pension and other employee benefit trust funds of the primary government and fiduciary component units account for transactions, assets, liabilities, and net position available for plan benefits of the retirement systems and for other employee benefit programs.

An *investment trust fund* accounts for the deposits, withdrawals, and earnings of the Local Agency Investment Fund, an external investment pool for local governments and public agencies.

Agency funds account for assets held by the State, which acts as an agent for individuals, private organizations, or other governments. The following are the State's largest agency funds:

The *Receipting and Disbursing Fund* accounts for the collection and disbursement of revenues and receipts on behalf of local governments. This fund also accounts for receipts from numerous state funds,

typically for the purpose of writing a single warrant when the warrant is funded by multiple funding sources.

The *Deposit Fund* accounts for various deposits, such as those from condemnation and litigation proceedings.

Discretely presented component units consist of certain organizations that have enterprise activity. The enterprise activity component units are the University of California, the California Housing Finance Agency, and nonmajor component units. In this report, all of the enterprise activity of the discretely presented component units is reported in a separate column in the government-wide financial statements and on separate pages following the fund financial statements.

C. Measurement Focus and Basis of Accounting

1. Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they are earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar transactions are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

2. Fund Financial Statements

The measurement focus and basis of accounting for the fund financial statements vary with the type of fund. **Governmental fund types** are presented using the current financial resources measurement focus. With this measurement focus, operating statements present increases and decreases in net current assets; the unassigned fund balance is a measure of available, spendable resources.

The accounts of the governmental fund types are reported using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded as they become measurable and available, and expenditures are recorded at the time the liabilities are incurred. The State records revenue sources when they are earned or when they are due, provided they are measurable and available within the ensuing 12 months. When an asset is recorded in a governmental fund statement, but the revenue is not available within the ensuing 12 months, the State reports a deferred inflow of resources until such time as the revenue becomes available. Principal tax revenues susceptible to accrual are recorded as taxpayers earn income (personal income and corporation taxes), as sales are made (consumption and use taxes), and as a taxable event occurs (miscellaneous taxes), net of estimated tax overpayments.

Proprietary fund types, the **investment trust fund**, **private purpose trust funds**, and **pension and other employee benefit trust funds** are accounted for using the economic resources measurement focus. **Agency funds** are custodial in nature and do not measure the results of operations.

The accounts of the proprietary fund types, the investment trust fund, private purpose trust funds, pension and other employee benefit trust funds, and agency funds are reported using the accrual basis of accounting. Under the accrual basis, most transactions are recorded when they occur, regardless of when cash is received or disbursed.

Lottery revenue and the related prize expenses are recognized when sales are made. Certain prizes are payable in deferred installments. Such liabilities are recorded at the present value of amounts payable in the future.

For purposes of the Statement of Cash Flows, all cash and pooled investments in the State Treasurer's pooled investment program are considered to be cash and cash equivalents.

Discretely presented component units are accounted for using the economic resources measurement focus and the accrual basis of accounting.

D. Cash and Investments

The State considers cash and pooled investments, for the purpose of the Statement of Cash Flows, as cash and cash equivalents. Cash and cash equivalents are considered to be cash on hand; deposits in the State's pooled investment program; restricted cash and pooled investments for debt service, construction, and operations; restricted cash on deposit with fiscal agents (for example, revenue bond trustees); and highly liquid investments with an original maturity date of three months or less.

The State reports investments at fair value, as prescribed by GAAP. Additional information on the State's investments can be found in Note 3, Deposits and Investments. For fiduciary funds and similar component units, pension investments are reported at fair market value.

E. Receivables

Amounts are aggregated into a single receivables account net of allowance for uncollectible amounts. The detail of the primary government's accounts receivable can be found in Note 4, Accounts Receivable.

F. Inventories

Inventories of supplies are reported at cost and inventories held for resale are stated at the lower of average cost or market. In the government-wide financial statements, inventories for both governmental and business-type activities are expensed when they are consumed and unused inventories are reported as an asset on the Statement of Net Position. In the fund financial statements, governmental funds report inventories as expenditures when purchased, and proprietary funds report inventories as expenditures when consumed. The discretely presented component units have inventory policies similar to those of the primary government.

G. Net Investment in Direct Financing Leases

The State Public Works Board accounts for its activities in the Public Buildings Construction Fund, an internal service fund, and has entered into lease-purchase agreements with various other primary government agencies and certain local agencies. The payments from these leases are used to satisfy the principal and interest requirements of revenue bonds issued by the State Public Works Board to finance the cost of projects such as acquisition and construction of facilities and equipment. Upon expiration of these leases, title to the facilities and projects transfers to the primary government agency or the local agency. The State Public Works Board records the net investment in direct financing leases at the net present value of the minimum lease payments in the internal service fund financial statements. As the majority of this lease receivable is from governmental funds, it is eliminated within the governmental activities column of the government-wide Statement of Net Position.

The California State University (CSU) system accounts for its lease activities in the California State University Fund, a major enterprise fund, and has entered into 30-year capital lease agreements with certain auxiliary organizations. These agreements lease existing and newly constructed facilities to the CSU auxiliary organizations. A portion of the proceeds from certain revenue bonds issued by CSU were used to finance the construction of these facilities.

H. Long-term Prepaid Charges

The long-term prepaid charges account in the enterprise funds primarily represents operating and maintenance costs that will be recognized in the Water Resources Fund as expenses over the remaining life of long-term state water supply contracts. These costs are billable in future years. In addition, the account includes unbilled interest earnings on unrecovered capital costs that are recorded as long-term prepaid charges. These charges are recognized when billed in the future years under the terms of water supply contracts. The long-term prepaid charges for the Public Buildings Construction Fund include prepaid insurance costs on revenue bonds issued. Long-term prepaid charges are also included in the State Lottery Fund and nonmajor enterprise funds. These prepaid charges are incurred in connection with certain contracts that extend beyond a one-year period, which are amortized as expenses over the remaining life of the contracts. In the government-wide financial statements, the prepaid charges for governmental activities include prepaid insurance costs on revenue bonds issued.

I. Capital Assets

Capital assets are categorized into land, state highway infrastructure, collections, buildings and other depreciable property, intangible assets, and construction in progress. The buildings and other depreciable property account includes buildings, improvements other than buildings, equipment, certain infrastructure assets, certain books, and other capitalized and depreciable property. Intangible assets include computer software, land-use rights, patents, copyrights, and trademarks. The value of the capital assets, including the related accumulated depreciation and amortization, is reported in the applicable governmental, business-type, or component unit activities columns in the government-wide Statement of Net Position.

The primary government has a large collection of historical and contemporary treasures that have important documentary and artistic value. These assets are not capitalized or depreciated because they are cultural resources and cannot reasonably be valued and/or the assets have inexhaustible useful lives. These treasures and works of art include furnishings, portraits and other paintings, books, statues, photographs, and miscellaneous artifacts. These collections meet the conditions for exemption from capitalization because the collections are held for public exhibition, education, or research in furtherance of public service, rather than financial gain; protected, kept unencumbered, cared for, and preserved; and subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

In general, capital assets of the primary government are defined as assets that have a normal useful life of at least one year and a unit cost of at least $5,000. These assets are recorded at historical cost or estimated historical cost, including all costs related to the acquisition. Donated capital assets are recorded at the fair market value on the date the gift was received. Major capital asset outlays are capitalized as projects are constructed.

Buildings and other depreciable or amortizable capital assets are depreciated using the straight-line method with no salvage value for governmental activities. Generally, buildings and other improvements are depreciated over 40 years, equipment is depreciated over five years, and intangible assets are amortized over 10 to 20 years. Depreciable or amortizable assets of business-type activities are depreciated or amortized using the straight-line method over their estimated useful or service lives, ranging from three to 100 years.

California has elected to use the modified approach for capitalizing the infrastructure assets of the state highway system. The state highway system is maintained by the California Department of Transportation. By using the modified approach, the infrastructure assets of the state highway system are not depreciated and all expenditures made for those assets, except for additions and improvements, are expensed in the period incurred. All additions and improvements made after June 30, 2001, are capitalized. All infrastructure assets that are related to projects completed prior to July 1, 2001, are recorded at the historical costs contained in

annual reports of the American Association of State Highway and Transportation Officials and the Federal Highway Administration.

The capital assets of the discretely presented component units are reported at cost at the date of acquisition or at fair market value at the date of donation, in the case of gifts. They are depreciated or amortized over their estimated useful service lives.

J. Long-term Obligations

Long-term obligations consist of unmatured general obligation bonds, unmatured revenue bonds, capital lease obligations, certificates of participation, commercial paper, net pension liability, net other postemployment benefits obligation (OPEB), employees' compensated absences and workers' compensation claims, pollution remediation obligations, amounts owed for lawsuits, reimbursement for costs mandated by the State, outstanding Proposition 98 funding guarantee owed to schools, the liability for Lottery prizes and annuities, loans from other governments, and the primary government's share of the University of California's pension liability that is due in more than one year. In the government-wide financial statements, the obligations are reported as liabilities in the applicable governmental activities, business-type activities, and component units columns of the Statement of Net Position. The current portion—amount due within one year—of the long-term obligations is reported under current liabilities.

Pollution remediation obligations are recorded by the State when one or more of the GASB Statement No. 49 obligating events have occurred and when a reasonable estimate of the remediation cost is available. These liabilities are measured using actual contract costs, where no change in cost is expected, or the expected cash flow technique. The remediation obligation estimates that appear in this report are subject to change over time. Costs may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations, and other factors that could result in revisions to these estimates. Prospective recoveries from responsible parties may reduce the State's obligation.

Bond premiums and discounts for business-type activities and component units are deferred and amortized over the life of the bonds. In these instances, bonds payable is reported net of the applicable premium and discount. Bond premiums and discounts for governmental funds are reported as other financing sources (uses). However, in the government-wide financial statements, the bonds payable for governmental activities is reported net of the applicable unamortized premium and discount. Bond issuance costs, excluding prepaid insurance, are expensed when incurred.

With advance approval from the Legislature, certain authorities and state agencies may issue revenue bonds. Principal and interest on revenue bonds are payable from the pledged revenues of the respective funds, building authorities, and agencies. The General Fund has no legal liability for payment of principal and interest on revenue bonds. With the exception of certain special revenue funds (Transportation and the Golden State Tobacco Securitization Corporation) and the building authorities capital projects fund, the liability for revenue bonds is recorded in the respective fund.

K. Compensated Absences

The government-wide financial statements report both the current and the noncurrent liabilities for compensated absences, which are vested unpaid vacation, annual leave, and other paid leave programs. However, unused sick-leave balances are not included in the compensated absences because they do not vest to employees. In the governmental fund financial statements, only the compensated absences liability for employees who have left state service and have unused reimbursable leave at fiscal year-end is included. The amounts of vested unpaid vacation and annual leave accumulated by state employees are accrued in

proprietary funds when incurred. In the discretely presented component units, the compensated absences are accounted for in the same manner as in the proprietary funds of the primary government.

L. Deferred Outflows and Deferred Inflows of Resources

The government-wide and fund financial statements report deferred outflows of resources and deferred inflows of resources.

1. Deferred Outflows of Resources

Deferred outflows of resources are the consumption of assets that are applicable to future reporting periods. Deferred outflows of resources are presented separately after "Total Assets" in the Balance Sheet and Statement of Net Position.

Deferred outflows of resources consist of the following transactions:

- *Loss on Refunding of Debt*: The defeasance of previously outstanding general obligation and revenue bonds results in deferred refunding losses for governmental activities, business-type activities, and component units. These deferred losses are recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.
- *Decrease in Fair Value of Hedging Derivatives*: Negative changes in the fair value of hedging derivatives are reported for component units.
- *Net Pension Liability*: Increases in net pension liability that are not recognized in pension expense for the reporting period are reported as deferred outflows of resources related to pensions. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total pension liability; and increases in the State's proportionate share of net pension liability for plans that have a special funding situation, such as CalSTRS, are all recognized in pension expense over the average of the expected remaining service lives of participating employees. A deferred outflow of resources is also reported when projected earnings on pension plan investments exceed actual earnings, with the net difference amortized to pension expense over a five-year period beginning in the current reporting period. Employer contributions, and state contributions in the case of CalSTRS' special funding situation, made subsequent to the measurement date are reported as deferred outflows of resources related to pensions and reduce net pension liability in the following year. Deferred outflows of resources related to net pension liability are reported for governmental activities, business-type activities, fiduciary funds, and component units.

2. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of assets that are applicable to future reporting periods. Deferred inflows of resources are presented separately after "Total Liabilities" in the Balance Sheet and Statement of Net Position.

The State's deferred inflows of resources consist of the following transactions:

- *Unavailable Revenues*: Governmental funds report deferred inflows of resources for earned and measurable revenue from long-term receivables that is not available within 12 months of the end of the reporting period. These deferred amounts are recognized as revenue in the periods that they become available.

- *Gain on Refunding of Debt*: The defeasance of previously outstanding general obligation and revenue bonds results in deferred refunding gains for governmental activities and discretely presented component units. These deferred gains are recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

- *Service Concession Arrangements*: The State and its component units have entered into service concession arrangements with third parties for park facility services, student housing, and certain other services. The upfront payment received or present value of installment payments expected to be received from the third parties are reported as deferred inflows of resources.

- *Net Pension Liability*: Reductions in net pension liability that are not recognized in pension expense for the reporting period are reported as deferred inflows of resources related to pensions. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total pension liability; and decreases in the State's proportionate share of net pension liability for plans that have a special funding situation, such as CalSTRS, are all recognized against pension expense over the average of the expected remaining service lives of participating employees. A deferred inflow of resources is also reported when actual earnings on pension plan investments exceed projected earnings, with the net difference amortized against pension expense over a five-year period beginning in the current reporting period. Deferred inflows of resources related to net pension liability are reported for governmental activities, business-type activities, fiduciary funds, and component units.

- *Other Deferred Inflows of Resources*: Revenues generated from current rates charged by regulated business-type activities that are intended to recover costs expected to be incurred in the future are reported in the government-wide Statement of Net Position.

M. Abnormal Account Balances

In the 2014-15 fiscal year, the Water Resources Electric Power Fund had a net refund of $132 million in power charges revenue. The refund resulted from lower power sales, return of prior year over-collection, and return of reserves as lower levels of reserve were required. During the 2014-15 fiscal year, the fund returned $183 million through adjustments to power charges and through separate monthly payments to its ratepayers.

N. Nonmajor Enterprise Segment Information

Two nonmajor enterprise fund segments are displayed discretely in the Combining Statement of Net Position; the Combining Statement of Revenues, Expenses, and Changes in Fund Net Position; and the Combining Statement of Cash Flows of the nonmajor enterprise funds. A *segment* is an identifiable activity reported as or within an enterprise fund or another stand-alone entity for which debt is outstanding and a revenue stream has been pledged in support of that debt. In addition, to qualify as a segment, an activity must be subject to an external requirement to separately account for revenues, expenses, gains and losses, assets and deferred outflows of resources, and liabilities and deferred inflows of resources. All of the activities reported for the fund segments listed below meet these requirements.

State Water Pollution Control Revolving Fund: Interest charged on loans to communities for construction of water pollution control facilities and projects.

Housing Loan Fund: Interest payments from low-interest, long-term farm and home mortgage loan contracts to eligible veterans living in California.

O. Net Position and Fund Balance

The difference between fund assets, deferred outflows of resources, liabilities, and deferred inflows of resources is called "net position" on the government-wide financial statements, the proprietary and fiduciary fund statements, and the component unit statements; it is called "fund balance" on the governmental fund statements.

1. Net Position

The government-wide financial statements include the following categories of net position:

Net investment in capital assets represents capital assets, net of accumulated depreciation, reduced by the outstanding debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results from transactions with purpose restrictions and is designated as either *nonexpendable* or *expendable*. *Nonexpendable restricted* net position is subject to externally imposed restrictions that must be retained in perpetuity. *Expendable restricted* net position is subject to externally imposed restrictions that can be fulfilled by actions of the State. As of June 30, 2015, the government-wide financial statements show restricted net position for the primary government of $31.2 billion, of which $7.2 billion is due to enabling legislation.

Unrestricted net position is neither restricted nor invested in capital assets.

2. Fund Balance

In the fund financial statements, proprietary funds include categories of net position similar to those in the government-wide financial statements. Fund balance amounts for governmental funds are reported as nonspendable, restricted, committed, assigned, or unassigned.

Nonspendable fund balance includes amounts that cannot be spent because they are not in spendable form (inventories; prepaid amounts; long-term portion of loans or notes receivable; or property held for resale unless the proceeds are restricted, committed, or assigned) or they are legally or contractually required to remain intact.

Restricted fund balance has constraints placed upon the use of the resources either by an external party (creditors, grantors, contributors, or laws and regulations of other governments) or through a constitutional provision or enabling legislation.

Committed fund balance can be used only for specific purposes pursuant to constraints imposed by state law as adopted by the California State Legislature. The state law that commits fund balance to a specific purpose must have been adopted prior to the end of the reporting period, but the amount subject to the constraint may be determined in a subsequent period. Committed fund balance incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance: California does not have a formal policy to delegate authority to assign resources. However, fund balance can be classified as assigned when a purchase order creates an outstanding encumbrance amount, unless the purchase order relates to restricted or committed resources. Furthermore, in governmental funds created by state law for a specific purpose, other than the General Fund, all resources that are not reported as nonspendable, restricted, or committed are classified as assigned for the purpose of the respective funds.

Unassigned fund balance is the residual amount of the General Fund not included in the four classifications described above. In other governmental funds in which expenditures incurred for specific purposes exceeded amounts restricted, committed, or assigned to those purposes, a negative unassigned fund balance is reported.

Fund balance spending order: For the purpose of reporting fund balance in this financial report under GASB Statement No. 54, the State considers resources to be spent in the following order when an expenditure is incurred for which these classifications are available: restricted, committed, assigned, and unassigned.

Fiduciary fund net position is amounts held in trust for benefits and other purposes.

3. Budget Stabilization Account

In accordance with Article 16, Section 20 of the California State Constitution, the State maintains the Budget Stabilization Account. The Budget Stabilization Account is reported in the General Fund. By October 1 of each fiscal year, a transfer must be made from the General Fund to the Budget Stabilization Account in an amount equal to one-half of (a) 1.5% of the estimated General Fund revenues for that fiscal year and (b) personal capital gains tax revenues in excess of 8% of estimated General Fund taxes for that fiscal year less amounts that must be spent on Proposition 98. The remaining half of the calculated amount is used as appropriated by the State Legislature to pay down (1) interfund loans, (2) specified debts to local governments, and (3) debts for pension and retiree health benefits.

The State Legislature may suspend or reduce the transfer to or withdraw funds from the Budget Stabilization Account if the Governor declares a budget emergency. For this purpose, budget emergency means either (1) a natural disaster or other event that creates a condition of extreme peril to the safety of persons or property, or (2) there is not enough money to keep General Fund spending at the highest level of the past three fiscal years (adjusted for changes in state population and cost of living). The amount of the withdrawal from the Budget Stabilization Account is limited to the actual amount needed for the natural disaster or to keep General Fund spending at the highest level of the past three years. In addition, if there was no budget emergency in the prior fiscal year, no more than one-half of the Budget Stabilization Account balance may be withdrawn; the entire remaining balance could be withdrawn in the second straight year of a budget emergency.

When the balance of the Budget Stabilization Account reaches 10% of the estimated General Fund revenues for that fiscal year, the amount that would have been transferred to the Budget Stabilization Account would instead be used to build and maintain infrastructure. At June 30, 2015, the Budget Stabilization Account had restricted fund balance of $1.6 billion.

P. Restatement of Beginning Fund Balances and Net Position

1. Fund Financial Statements

The beginning fund balance of *governmental funds* increased by a net total of $85 million for understated loans receivable in the *Environmental and Natural Resources Fund* and a small overstatement of rental income by a *building authority.*

The beginning net position of the *internal service funds* decreased by $877 million. This decrease is comprised of $791 million due to the recognition of net pension liability and deferred outflows of resources in all applicable funds resulting from the implementation of GASB Statements No. 68 and No. 71 and $86 million in the *Public Buildings Construction Fund* for prior-period corrections for deferred amounts on

debt refundings, construction work in progress, and the liability for interest earned on cash received for lease payments.

(amounts in thousands)	Net Position June 30, 2014 (previously reported)	GASB Statements No. 68 and No. 71 Implementation	Other Restatements	Net Position Beginning of Year (restated)
Public Buildings Construction	$ 287,401	$ —	$ (85,519)	$ 201,882
Architecture Revolving	(26,660)	(3,156)	—	(29,816)
Service Revolving	(172,160)	(497,510)	—	(669,670)
Prison Industries	162,953	(30,387)	—	132,566
Financial Information Systems	60,919	(26,339)	—	34,580
Technology Services Revolving	46,834	(182,898)	—	(136,064)
Other internal service programs	239,502	(50,729)	—	188,773
	$ 598,789	**$ (791,019)**	**$ (85,519)**	**$ (277,749)**

The beginning net position of the *enterprise funds* decreased by $6.5 billion due to the recognition of net pension liability and deferred outflows of resources in all applicable funds resulting from the implementation of GASB Statements No. 68 and No. 71.

(amounts in thousands)	Net Position June 30, 2014 (previously reported)	GASB Statements No. 68 and No. 71 Implementation	Other Restatements	Net Position Beginning of Year (restated)
State Lottery	$ 101,109	$ (90,210)	$ —	$ 10,899
Unemployment Programs	(2,657,890)	(226,672)	—	(2,884,562)
California State University	2,570,368	(6,181,670)	—	(3,611,302)
State Water Pollution Control Revolving	3,664,859	(1,251)	—	3,663,608
Housing Loan	150,908	(14,589)	—	136,319
Other enterprise programs	282,609	(7,110)	—	275,499
	$ 4,111,963	**$ (6,521,502)**	**$ —**	**$ (2,409,539)**

The beginning net position of the *fiduciary funds and similar component units* decreased by $163 million due to the recognition of net pension liability and deferred outflows of resources in all applicable funds resulting from the implementation of GASB Statements No. 68 and No. 71.

(amounts in thousands)	Net Position June 30, 2014 (previously reported)	GASB Statements No. 68 and No. 71 Implementation	Other Restatements	Net Position Beginning of Year (restated)
State Teachers' Retirement	$ 190,474,016	$ (161,907)	$ —	$ 190,312,109
Deferred Compensation	12,345,396	(561)	—	12,344,835
Other pension and other employee benefit trust	4,442,461	(362)	—	4,442,099
	$ 207,261,873	**$ (162,830)**	**$ —**	**$ 207,099,043**

The beginning net position of the *discretely presented component units* decreased by $137 million mainly due to the recognition of net pension liability and deferred outflows of resources in all applicable funds resulting from the implementation of GASB Statements No. 68 and No. 71.

(amounts in thousands)	Net Position June 30, 2014 (previously reported)	GASB Statements No. 68 and No. 71 Implementation	Other Restatements	Net Position Beginning of Year (restated)
California Housing Finance Agency	$ 1,397,469	$ (48,828)	$ —	$ 1,348,641
Financing authorities	286,096	(4,785)	—	281,311
California State University Auxiliary Organizations	2,621,256	(51,463)	2,717	2,572,510
Other component units	160,627	(34,859)	—	125,768
	$ 4,465,448	**$ (139,935)**	**$ 2,717**	**$ 4,328,230**

2. Government-wide Financial Statements

The beginning net position of the *governmental activities* decreased by $57.6 billion. In addition to the amounts described in the previous section for governmental funds and internal service funds, the restatement comprises a $3.5 billion increase for understated capital assets, a $60.2 billion decrease due to the recognition of net pension liability and deferred outflows of resources resulting from the implementation of GASB Statements No. 68 and No. 71, and a $67 million decrease for prior-period corrections to deferred amounts on debt refunding.

The beginning net position of *business-type activities* and *component units* were restated as described in the previous section for enterprise funds and discretely presented component units, respectively.

Q. Guaranty Deposits

The State is the custodian of guaranty deposits held to protect consumers, to secure the State's deposits in financial institutions, and to ensure payment of taxes and fulfillment of obligations to the State. Guaranty deposits of securities and other properties are not shown on the financial statements.

NOTE 2: BUDGETARY AND LEGAL COMPLIANCE

A. Budgeting and Budgetary Control

The State's annual budget is primarily prepared on a modified accrual basis for governmental funds. The Governor recommends a budget for approval by the Legislature each year. This recommended budget includes estimated revenues, but revenues are not included in the annual budget bill adopted by the Legislature. Under state law, the State cannot adopt a spending plan that exceeds estimated revenues.

Under the State Constitution, money may be drawn from the treasury only through a legal appropriation. The appropriations contained in the Budget Act, as approved by the Legislature and signed by the Governor, are the primary sources of annual expenditure authorizations and establish the legal level of control for the annual operating budget. The budget can be amended throughout the year by special legislative action, budget revisions by the Department of Finance, or executive orders of the Governor. Amendments to the original budget for the year ended June 30, 2015, increased spending authority for the budgetary/legal basis-reported

General Fund and Transportation Funds, and decreased spending authority for the Environmental and Natural Resources Funds.

Appropriations are generally available for expenditure or encumbrance either in the year appropriated or for a period of three years if the legislation does not specify a period of availability. At the end of the availability period, the encumbering authority for the unencumbered balance lapses. Some appropriations continue indefinitely, while others are available until fully spent. Generally, encumbrances must be liquidated within two years from the end of the period in which the appropriation is available. If the encumbrances are not liquidated within this additional two-year period, the spending authority for these encumbrances lapses.

B. Legal Compliance

State agencies are responsible for exercising basic budgetary control and ensuring that appropriations are not overspent. The State Controller's Office is responsible for overall appropriation control and does not allow expenditures in excess of authorized appropriations.

Financial activities are mainly controlled at the appropriation level but can vary, depending on the presentation and wording contained in the Budget Act. The Budget Act appropriations are identified by department, reference item, and fund. The annual appropriated budget may establish detailed allocations to specific programs, projects, or sources of reimbursement within an appropriation. The Department of Finance can authorize adjustments between the detail allocations but cannot increase the amount of the overall appropriation. While the financial activities are controlled at various levels, the legal level of budgetary control—the extent to which management may amend the budget without seeking approval of the governing body—has been established in the Budget Act for the annual operating budget.

The Budgetary Comparison Schedule is not presented in this document at the legal level of budgetary control because such a presentation would be extremely lengthy and cumbersome. The State prepares a separate report, the Comprehensive Annual Financial Report Supplement, which includes statements that demonstrate compliance with the legal level of budgetary control in accordance with Government Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, section 2400.121. The supplement includes the comparison of the annual appropriated budget with expenditures at the legal level of control. A copy of the Comprehensive Annual Financial Report Supplement is available upon request by emailing the State Controller's Office, Division of Accounting and Reporting at StateGovReports@sco.ca.gov.

NOTE 3: DEPOSITS AND INVESTMENTS

Cash balances not required for immediate use are invested by the State Treasurer. The State Treasurer administers a single pooled investment program comprising both an internal investment pool and an external investment pool (the Local Agency Investment Fund). A single portfolio of investments exists, with all participants having an undivided interest in the portfolio. Both pools are administered in the same manner.

A. Primary Government

1. Control of State Funds

The State's pooled investment program and certain funds of the primary government are allowed by state statutes, bond resolutions, and investment policy resolutions to invest in United States government securities, federal agency securities, negotiable certificates of deposit, bankers' acceptances, commercial paper,

corporate bonds, bank notes, other debt securities, repurchase agreements, reverse repurchase agreements, and other investments.

Certain discretely presented component units and related organizations participate in the State Treasurer's Office pooled investment program. As of June 30, 2015, the discretely presented component units and related organizations account for approximately 3.8% of the State Treasurer's pooled investment portfolio. This program enables the State Treasurer's Office to combine available cash from all funds and to invest cash that exceeds current needs.

Both deposits and investments are included in the State's investment program. For certain banks, the State Treasurer's Office maintains cash deposits that cover uncleared checks deposited in the State's accounts and that earn income that compensates the banks for their services.

Demand and time deposits held by financial institutions as of June 30, 2015, totaling approximately $7.4 billion, were insured by federal depository insurance or by collateral held by the State Treasurer's Office or an agent of the State Treasurer's Office in the State's name. The California Government Code requires that collateral pledged for demand and time deposits be deposited with the State Treasurer.

As of June 30, 2015, the State Treasurer's Office had on deposit with a fiscal agent amounts totaling $21 million related to principal and interest payments to bondholders. These deposits were insured by federal depository insurance or by collateral held by an agent of the State Treasurer's Office in the State's name.

Certain funds have elected to participate in the pooled investment program even though they have the authority to invest on their own. Others may be required by legislation to participate in the program; as a result, the deposits of these funds may be considered involuntary. However, these funds are part of the State's reporting entity. The remaining participant in the pool, the Local Agency Investment Fund, is voluntary.

Certain funds that have deposits in the State Treasurer's pooled investment program do not receive the interest earnings on their deposits. Instead, by law, the earnings are assigned to the State's General Fund. Most of the $21 million in interest revenue received by the General Fund from the pooled investment program in fiscal year 2014-15 was earned on balances in these funds.

Enterprise funds and special revenue funds also make separate investments, which are presented at fair value.

2. Valuation of State Investments

The State Treasurer's Office reports its investments at fair value. The fair value of securities in the State Treasurer's pooled investment program generally is based on quoted market prices. The State Treasurer's Office performs a quarterly fair market valuation of the pooled investment program portfolio. In addition, the State Treasurer's Office performs a monthly fair market valuation of all securities held against carrying cost. These valuations can be obtained from the State Treasurer's Office website at www.treasurer.ca.gov.

As of June 30, 2015, the weighted average maturity of the securities in the pooled investment program administered by the State Treasurer's Office was approximately 250 days. Weighted average maturity is the average number of days, given a dollar-weighted value of individual investments, that the securities in the portfolio have remaining from evaluation date to stated maturity.

3. Oversight of Investing Activities

The Pooled Money Investment Board (PMIB) provides oversight of the State Treasurer's pooled investment program. The purpose of the board is to design and administer an effective cash management and investment program, using all monies flowing through the State Treasurer's Office bank accounts and keeping all available funds invested in a manner consistent with the goals of safety, liquidity, and yield. The PMIB is comprised of the State Treasurer as chair, the State Controller, and the Director of Finance. This board designates the amounts of money available for investment. The State Treasurer is charged with making the actual investment transactions for this program. This investment program is not registered with the Securities and Exchange Commission as an investment company.

The value of the deposits in the State Treasurer's pooled investment program, including the Local Agency Investment Fund, is equal to the dollars deposited in the program. The fair value of the position in the program may be greater or less than the value of the deposits, with the difference representing the unrealized gain or loss. As of June 30, 2015, this difference was immaterial to the valuation of the program. The pool is run with "dollar-in, dollar-out" participation. There are no share-value adjustments to reflect changes in fair value.

The State Treasurer's pooled investment program values participants' shares on an amortized cost basis. Specifically, the program distributes income to participants quarterly, based on their relative participation during the quarter. This participation is calculated based on (1) realized investment gains and losses calculated on an amortized cost basis, (2) interest income based on stated rates (both paid and accrued), (3) amortization of discounts and premiums on a straight-line basis, and (4) investment and administrative expenses. This amortized cost method differs from the fair value method used to value investments in these financial statements; the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair value of the pool's investments. Because the total difference between the fair value of the investments in the pool and the value distributed to pool participants using the amortized cost method described above is not material, no adjustment was made to the financial statements. The State Treasurer's Office also reports participant fair value as a ratio of amortized cost on a quarterly basis. The State Treasurer's Office has not provided or obtained a legally binding guarantee to support the principal invested in the investment program.

As of June 30, 2015, medium-term asset-backed securities comprised approximately 1.1% of the pooled investments. The asset-backed securities consist of mortgage-backed securities, Small Business Administration (SBA) pools, and asset-backed commercial paper. The mortgage-backed securities are called real estate mortgage investment conduits (REMICs), and are securities backed by pools of mortgages. The REMICs in the State's portfolio have a fixed principal payment schedule. A portion of the asset-backed securities consisted of floating-rate SBA notes. For floating-rate SBA notes held in the portfolio during the fiscal year, the interest received by the State Treasurer's pooled investment program rose or fell as the underlying index rate rose or fell. The structure of the floating-rate SBA notes in the State Treasurer's pooled investment program portfolio provided a hedge against the risk of increasing interest rates. A portion of the asset-backed portfolio holdings were short-term, asset-backed commercial paper (ABCP), which represented 1.21% of the pooled investments.

Table 1 identifies the investment types that are authorized by the California Government Code and the State Treasurer's Office Investment Policy for the Pooled Investment Program. Maturities are limited by the State Treasurer's Office Investment Policy for the Pooled Money Investment Program. For commercial paper, the Investment Policy matches the Government Code. For corporate bonds and notes, the Government Code requires that a security fall within the top three ratings of a nationally recognized statistical ratings organization (NRSRO). Items reported as N/A have no limitation in either the Government Code or the State Treasurer's Office Investment Policy.

Table 1

Authorized Investments

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Credit Rating
U.S. Treasury securities	5 years	N/A	N/A	N/A
Federal agency and supranational securities	5 years	N/A	N/A	N/A
Certificates of deposit	5 years	N/A	N/A	N/A
Bankers acceptances	180 days	N/A	N/A	N/A
Commercial paper	270 days	30%	10 % of issuer's outstanding Commercial Paper	A-3/P-3/F-3
Corporate bonds/notes	5 years	N/A	N/A	A-/A3/A-
Repurchase agreements	1 year	N/A	N/A	N/A
Reverse repurchase agreements	1 year	10%	N/A	N/A

4. Risk of Investments

The following types of risks are common in deposits and investments, including those of the State:

Interest Rate Risk is the risk that the value of fixed-income securities will decline because of changing interest rates. The prices of fixed-income securities with longer time to maturity tend to be more sensitive to changes in interest rates than those with shorter durations.

Credit Risk is the risk that a debt issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline.

Custodial Credit Risk is the risk that, in the event a financial institution or counterparty fails, the investor will not be able to recover the value of deposits, investments, or collateral.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of an investor's holdings in a single issuer.

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

a. Interest Rate Risk

Table 2 presents the interest rate risk of the primary government's investments. In calculating SBA holdings' weighted average maturity, the State Treasurer's Office assumes that stated maturity is the quarterly reset date. Total pooled investments do not include $5.4 billion of time deposits and $442 million of internal loans to state funds. Repurchase agreements of the California State University system mature in one day. Most mortgage-backed securities are issued by U.S. government agencies, or government-sponsored enterprises such as the Federal National Mortgage Association, and entitle the purchaser to receive a share of the cash flows, such as principal and interest payments, from a pool of mortgages. Mortgage-backed securities are highly sensitive to interest rate changes because principal prepayments either increase (in a low interest rate environment) or decrease (in a high interest rate environment) the security yield. As of June 30, 2015, only $94 million, or 0.2% of the total pooled investments, was invested in mortgage-backed securities.

Table 2

Schedule of Investments – Primary Government – Interest Rate Risk
June 30, 2015
(amounts in thousands)

	Fair Value at Year End	Weighted Average Maturity (in years)
Pooled investments		
U.S. Treasury bills and notes	$ 33,070,932	1.00
U.S. Agency bonds and discount notes	8,298,919	0.63
Supranational debentures and discount notes (IBRD)	450,788	1.16
Small Business Administration loans	581,898	0.25
Mortgage-backed securities	94,369	2.53
Certificates of deposit	14,642,626	0.24
Bank notes	699,897	0.17
Commercial paper	5,922,245	0.14
Total pooled investments	**63,761,674**	
Other primary government investments		
U.S. Treasuries and agencies	2,443,607	3.28
Guaranteed investment contracts	201,327	7.78
Corporate debt securities	927,517	1.12
Repurchase agreements	8,137	0.00
Other	1,252,643	2.36
Total other primary government investments	**4,833,231**	
Funds outside primary government included in pooled investments		
Less: investment trust funds	21,475,804	
Less: other trust and agency funds	4,492,741	
Less: discretely presented component units and related organizations	2,396,850	
Total primary government investments	**$ 40,229,510**	

b. Credit Risk

Table 3 presents the credit risk of the primary government's debt securities. If a particular security has multiple ratings, the lowest rating of the three major NRSROs is used. Similar to interest rate risk shown in Table 2, time deposits and internal loans to state funds are not included.

Table 3

Schedule of Investments in Debt Securities – Primary Government – Credit Risk
June 30, 2015
(amounts in thousands)

Credit Rating as of Year End		
Short-term	**Long-term**	**Fair Value**
Pooled investments		
A-1+/P-1/F-1+	AAA/Aaa/AAA	$ 7,545,968
A-1/P-1/F-1	AA/Aa/AA	21,968,549
A-2/P-2/F-2	A/A/A	499,958
Not rated		94,369
Not applicable		33,652,830
Total pooled investments		**$ 63,761,674**
Other primary government investments		
A-1+/P-1/F-1+	AAA/Aaa/AAA	$ 820,431
A-1/P-1/F-1	AA/Aa/AA	1,800,911
A-2/P-2/F-2	A/A/A	843,945
A-3/P-3/F-3	BBB/Baa/BBB	26,163
Not rated		627,455
Not applicable		714,326
Total other primary government investments		**$ 4,833,231**

c. Custodial Credit Risk

The State has a deposit policy for custodial credit risk that requires deposits held by financial institutions to be insured by federal depository insurance or secured by collateral. As of June 30, 2015, one guaranteed investment contract of the Electric Power Fund in the amount of $100 million was uninsured and uncollateralized.

d. Concentration of Credit Risk

The investment policy of the State Treasurer's Office contains no limitations on the amount that can be invested in any one issuer beyond those limitations stipulated in the California Government Code. As of June 30, 2015, the State had investments in the Federal National Mortgage Association totaling 6.2% of the total pooled investments.

B. Fiduciary Funds

The fiduciary funds include pension and other employee benefit trust funds of the following fiduciary funds and component units: California Public Employees' Retirement System (CalPERS), California State Teachers' Retirement System (CalSTRS), the fund for the California Scholarshare program, and various other funds. CalPERS and CalSTRS account for 97% of these separately invested funds. CalPERS and CalSTRS exercise their authority under the State Constitution and invest in stocks, bonds, mortgages, real estate, and other investments, including derivative instruments.

Additional disclosure for CalPERS' investments and derivative instruments is included in CalPERS' separately issued financial statements, which may be found on its website at www.CalPERS.ca.gov. Additional disclosure for CalSTRS' investments and derivative instruments is included in CalSTRS' separately issued financial statements, which may be found on its website at www.CalSTRS.com.

C. Discretely Presented Component Units

The discretely presented component units consist of the University of California and its foundation, the California Housing Finance Agency (CalHFA), and various nonmajor component units. The University and CalHFA constitute 93% of the total investments of discretely presented component units. State law, bond resolutions, and investment policy resolutions allow component units to invest in U.S. government securities, state and municipal securities, commercial paper, corporate bonds, investment agreements, real estate, and other investments. Additionally, a portion of the cash and pooled investments of CalHFA, and other nonmajor component units are invested in the State Treasurer's pooled investment program.

Additional disclosures for the University of California's investments and derivative instruments are included in the University's separately issued financial statements, which can be obtained from the University on its website at www.ucop.edu. Additional disclosure for CalHFA's investments and derivative instruments is included in CalHFA's separately issued financial statements, which may be found on its website at www.CalHFA.ca.gov.

NOTE 4: ACCOUNTS RECEIVABLE

Table 4 presents the disaggregation of accounts receivable attributable to taxes; licenses, permits, and fees; Lottery retailer collections; unemployment program receipts; and the California State University. Other receivables are for interest, gifts, grants, penalties, and other charges.

Table 4

Schedule of Accounts Receivable
June 30, 2015
(amounts in thousands)

	Taxes	Licenses, Permits and Fees	Lottery Retailers
Current governmental activities			
General Fund	$ 13,033,171	$ —	$ —
Federal Fund	—	—	—
Transportation Fund	565,456	405,690	—
Environmental and Natural Resources Fund	—	363,142	—
Nonmajor governmental funds	415,952	1,710,651	—
Internal service funds	—	—	—
Adjustment:			
Unavailable revenue [1]	(1,158,019)	(70,224)	—
Total current governmental activities	**$ 12,856,560**	**$ 2,409,259**	**$ —**
Amounts not scheduled for collection during the subsequent year (unavailable revenue)	**$ 1,158,019**	**$ 70,224**	**$ —**
Current business-type activities			
Water Resources Fund	$ —	$ —	$ —
State Lottery Fund	—	—	510,582
Unemployment Programs Fund	—	—	—
California State University	—	—	—
Nonmajor enterprise programs	—	—	—
Total current business-type activities	**$ —**	**$ —**	**$ 510,582**
Amounts not scheduled for collection during the subsequent year (unavailable revenue)	**$ —**	**$ —**	**$ —**

[1] The unavailable revenue reported in the governmental fund financial statements represents revenues that are earned and measurable, but not available within 12 months of the end of the reporting period.

[2] Amount includes noncurrent receivables for service concession arrangements of $70 million that were not included in the governmental fund financial statements.

Unemployment Programs	California State University	Other	Total
$ —	$ —	$ 1,362,651	$ 14,395,822
—	—	13,474	13,474
—	—	82,711	1,053,857
—	—	112,848	475,990
—	—	473,769	2,600,372
—	—	23,549	23,549
—	—	(440,738)	(1,668,981)
$ —	**$ —**	**$ 1,628,264**	**$ 16,894,083**
$ —	**$ —**	**$ 511,054** [2]	**$ 1,739,297**
$ —	$ —	$ 79,935	$ 79,935
—	—	—	510,582
1,325,458	—	—	1,325,458
—	180,377	—	180,377
—	—	31,667	31,667
$ 1,325,458	**$ 180,377**	**$ 111,602**	**$ 2,128,019**
$ 79,904	**$ 268,599**	**$ —**	**$ 348,503**

NOTE 5: RESTRICTED ASSETS

Table 5 presents a summary of the legal restrictions placed on assets of the primary government and the discretely presented component units.

Table 5

Schedule of Restricted Assets
June 30, 2015
(amounts in thousands)

	Cash and Pooled Investments	Investments	Due From Other Governments	Loans Receivable	Total
Primary government					
Debt service	$ 1,594,193	$ 372,496	$ 20,584	$ 284,213	$ 2,271,486
Construction	2,306,240	—	—	—	2,306,240
Operations	223,000	—	—	—	223,000
Other	5,282	—	—	—	5,282
Total primary government	**4,128,715**	**372,496**	**20,584**	**284,213**	**4,806,008**
Discretely presented component units					
Debt service	243,530	8,004	—	—	251,534
Other	5,613	—	—	—	5,613
Total discretely presented component units	**249,143**	**8,004**	**—**	**—**	**257,147**
Total restricted assets	**$ 4,377,858**	**$ 380,500**	**$ 20,584**	**$ 284,213**	**$ 5,063,155**

NOTE 6: NET INVESTMENT IN DIRECT FINANCING LEASES

The State Public Works Board (SPWB) accounts for its activities in the Public Buildings Construction Fund, an internal service fund, and has entered into lease-purchase agreements with various other primary government agencies and certain local agencies. Payments from these leases will be used to satisfy the principal and interest requirements of revenue bonds issued by the SPWB. The lease-purchase activity between the SPWB and the primary government agencies shown in the schedule below represents only that activity with agencies reported as enterprise funds. The lease receivable of $6.4 billion from governmental funds and the corresponding lease obligation were eliminated within the governmental activities column of the government-wide Statement of Net Position.

The CSU system accounts for its lease activities in the California State University Fund, a major enterprise fund, and has entered into capital lease agreements with certain auxiliary organizations. These agreements lease existing and newly constructed facilities to the auxiliary organizations. A portion of the proceeds from certain revenue bonds issued by CSU were used to finance the construction of these facilities.

Table 6 summarizes the minimum lease payments to be received by the primary government.

Table 6

Schedule of Minimum Lease Payments to be Received by the Primary Government
(amounts in thousands)

Year Ending June 30	State Public Works Board			California State University
	Primary Government Agencies	Local Agencies	Total	
2016	$ 108,038	$ 53,050	$ 161,088	$ 31,497
2017	106,188	39,986	146,174	27,285
2018	93,035	32,698	125,733	27,351
2019	83,396	26,183	109,579	27,355
2020	71,356	13,369	84,725	50,207
2021-2025	325,682	63,603	389,285	149,273
2026-2030	290,097	61,453	351,550	132,368
2031-2035	229,931	15,557	245,488	90,394
2036-2040	26,895	—	26,895	26,028
2041-2045	—	—	—	20,219
Total minimum lease payments	**1,334,618**	**305,899**	**1,640,517**	**581,977**
Less: unearned income	541,238	72,407	613,645	217,302
Net investment in direct financing leases	793,380	233,492	1,026,872	364,675
Less: current portion	56,225	41,577	97,802	13,915
Noncurrent net investment in direct financing leases	**$ 737,155**	**$ 191,915**	**$ 929,070**	**$ 350,760**

NOTE 7: CAPITAL ASSETS

Table 7 summarizes the capital activity for the primary government.

Table 7

Schedule of Changes in Capital Assets – Primary Government
June 30, 2015
(amounts in thousands)

	Beginning Balance		Additions	Deductions	Ending Balance
Governmental activities					
Capital assets not being depreciated/amortized					
Land	$ 18,774,012	*	$ 399,907	$ 43,260	$ 19,130,659
State highway infrastructure	68,914,148	*	1,773,783	2,269	70,685,662
Collections	22,630		—	—	22,630
Construction/development in progress	15,209,323	*	3,638,256	2,762,237	16,085,342
Intangible assets	408,792	*	10,503	21	419,274
Total capital assets not being depreciated/amortized	**103,328,905**		**5,822,449**	**2,807,787**	**106,343,567**
Capital assets being depreciated/amortized					
Buildings and improvements	21,924,881	*	862,187	111,647	22,675,421
Infrastructure	735,712		609	165	736,156
Equipment and other assets	4,759,897	*	319,768	180,688	4,898,977
Intangible assets	1,091,014	*	134,356	10,144	1,215,226
Total capital assets being depreciated/amortized	**28,511,504**		**1,316,920**	**302,644**	**29,525,780**
Less accumulated depreciation/amortization for:					
Buildings and improvements	7,198,655	*	562,163	52,386	7,708,432
Infrastructure	342,602		17,921	113	360,410
Equipment and other assets	3,904,064	*	314,763	177,150	4,041,677
Intangible assets	474,141	*	92,608	9,285	557,464
Total accumulated depreciation/amortization	**11,919,462**		**987,455**	**238,934**	**12,667,983**
Total capital assets being depreciated/amortized, net	**16,592,042**		**329,465**	**63,710**	**16,857,797**
Governmental activities, capital assets, net	**$ 119,920,947**		**$ 6,151,914**	**$ 2,871,497**	**$ 123,201,364**
Business-type activities					
Capital assets not being depreciated/amortized					
Land	$ 222,138		$ 15,157	$ —	$ 237,295
Collections	7,711		3,571	194	11,088
Construction/development in progress	896,686	*	606,540	320,659	1,182,567
Intangible assets	116,009	*	3,862	4,110	115,761
Total capital assets not being depreciated/amortized	**1,242,544**		**629,130**	**324,963**	**1,546,711**
Capital assets being depreciated/amortized					
Buildings and improvements	10,826,885	*	407,696	5,690	11,228,891
Infrastructure	261,997		44,672	1,120	305,549
Equipment and other assets	650,858	*	106,124	16,450	740,532
Intangible assets	336,051		6,288	4,710	337,629
Total capital assets being depreciated/amortized	**12,075,791**		**564,780**	**27,970**	**12,612,601**
Less accumulated depreciation/amortization for:					
Buildings and improvements	3,981,523	*	285,981	1,832	4,265,672
Infrastructure	71,654		13,048	282	84,420
Equipment and other assets	390,350	*	60,264	13,322	437,292
Intangible assets	137,841	*	18,469	4,331	151,979
Total accumulated depreciation/amortization	**4,581,368**		**377,762**	**19,767**	**4,939,363**
Total capital assets being depreciated/amortized, net	**7,494,423**		**187,018**	**8,203**	**7,673,238**
Business-type activities, capital assets, net	**$ 8,736,967**		**$ 816,148**	**$ 333,166**	**$ 9,219,949**

* Restated

Table 8 summarizes the depreciation expense charged to the activities of the primary government.

Table 8

Schedule of Depreciation Expense – Primary Government
June 30, 2015
(amounts in thousands)

	Amount
Governmental activities	
General government	$ 131,670
Education	167,972
Health and human services	81,264
Resources	53,004
State and consumer services	82,140
Business and transportation	176,774
Correctional programs	242,008
Internal service funds (charged to the activities that utilize the fund)	52,623
Total governmental activities	**987,455**
Business-type activities	**377,762**
Total primary government	**$ 1,365,217**

Table 9 summarizes the capital activity for discretely presented component units.

Table 9

Schedule of Changes in Capital Assets – Discretely Presented Component Units
June 30, 2015
(amounts in thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
Capital assets not being depreciated/amortized				
Land	$ 1,002,521	$ 128,756	$ 5,814	$ 1,125,463
Collections	390,678	5,459	1,957	394,180
Construction/development in progress	3,661,522	48,073	850,565	2,859,030
Intangible assets	5,082	16	—	5,098
Total capital assets not being depreciated/amortized	**5,059,803**	**182,304**	**858,336**	**4,383,771**
Capital assets being depreciated/amortized				
Buildings and improvements	32,783,672	2,648,548	156,131	35,276,089
Infrastructure	685,086	49,411	210	734,287
Equipment and other depreciable assets	10,031,132	772,271	357,858	10,445,545
Intangible assets	835,971	76,082	48,710	863,343
Total capital assets being depreciated/amortized	**44,335,861**	**3,546,312**	**562,909**	**47,319,264**
Less accumulated depreciation/amortization for:				
Buildings and improvements	12,860,339	1,045,662	99,692	13,806,309
Infrastructure	329,097	23,574	222	352,449
Equipment and other depreciable assets	7,061,557	597,315	326,366	7,332,506
Intangible assets	291,763	103,780	34,579	360,964
Total accumulated depreciation/amortization	**20,542,756**	**1,770,331**	**460,859**	**21,852,228**
Total capital assets being depreciated/amortized, net	**23,793,105**	**1,775,981**	**102,050**	**25,467,036**
Capital assets, net	**$ 28,852,908**	**$ 1,958,285**	**$ 960,386**	**$ 29,850,807**

NOTE 8: ACCOUNTS PAYABLE

Accounts payable are amounts, related to different programs, that are due taxpayers, vendors, customers, beneficiaries, and employees. Table 10 presents details related to accounts payable.

The adjustment for the fiduciary funds represents amounts due fiduciary funds that were reclassified as external payables on the government-wide Statement of Net Position.

Table 10

Schedule of Accounts Payable
June 30, 2015
(amounts in thousands)

	Education	Health and Human Services	Resources
Governmental activities			
General Fund	$ 312,814	$ 733,355	$ 233,825
Federal Fund	403,593	412,169	60,427
Transportation Fund	95	4	2,795
Environmental and Natural Resources Fund	221	407	347,232
Nonmajor governmental funds	18,356	205,826	5,985
Internal service funds	—	—	16,955
Adjustment:			
Fiduciary funds	925,940	15,409,090	—
Total governmental activities	**$ 1,661,019**	**$ 16,760,851**	**$ 667,219**
Business-type activities			
Electric Power Fund	$ —	$ —	$ 1,344
Water Resources Fund	—	—	67,132
State Lottery Fund	—	—	—
Unemployment Programs Fund	—	—	—
California State University	189,077	—	—
Nonmajor enterprise funds	—	168	51
Adjustment:			
Fiduciary funds	—	—	—
Total business-type activities	**$ 189,077**	**$ 168**	**$ 68,527**

Business and Transportation	General Government and Others	Total
$ 269	$ 437,157	$ 1,717,420
286,519	107,774	1,270,482
318,705	32,872	354,471
45,004	3,663	396,527
22,935	433,445	686,547
—	321,369	338,324
83,216	571,542	16,989,788
$ 756,648	**$ 1,907,822**	**$ 21,753,559**
$ —	$ —	$ 1,344
—	—	67,132
—	52,237	52,237
—	3,679	3,679
—	—	189,077
—	3,908	4,127
—	14	14
$ —	**$ 59,838**	**$ 317,610**

NOTE 9: SHORT-TERM FINANCING

As part of its cash management program, the State regularly issues short-term obligations to meet cash flow needs. The State issues revenue anticipation notes (RANs) to partially fund timing differences between revenues and expenditures, because General Fund revenues and disbursements do not occur evenly throughout the fiscal year. If additional external cash flow borrowing is required, the State issues revenue anticipation warrants. There were no outstanding RANs at the beginning of the fiscal year. To fund cash flow needs for the 2014-15 fiscal year, the State issued $2.8 billion in RANs on September 10, 2014. The RANs were repaid in June 2015.

NOTE 10: LONG-TERM OBLIGATIONS

As of June 30, 2015, the primary government had long-term obligations totaling $221.6 billion. Of that amount, $7.2 billion is due within one year. For governmental activities, the largest change is attributed to the implementation of GASB Statements No. 68 and No. 71, which caused a $65.9 billion restatement of the beginning net pension liability after incorporating the existing net pension obligation balance of $3.2 billion. During the fiscal year, the net pension liability decreased by $11.6 billion, resulting in an ending balance of $57.5 billion. Other notable changes in governmental activities' long-term obligations include decreases of $4.8 billion in mandated cost claims payable and $2.8 billion in general obligation bonds payable.

Not included in the mandated cost claims payable shown in Table 11 are certain state-mandated programs that are in the adjudication process. Until the Commission on State Mandates rules on a test claim, and the claim's parameters and guidelines are established, expected costs cannot be reasonably determined; however, a positive finding for any of the claimants could individually or in aggregate pose a significant cost to the State.

As of June 30, 2015, the pollution remediation obligations increased by $52 million to $1.1 billion. Under federal Superfund law, responsibility for pollution remediation is placed upon current and previous owners or operators of polluted sites. Currently, the State's most significant superfund site is the Stringfellow Class 1 Hazardous Waste Disposal Facility (Stringfellow) located in Riverside County. As of June 30, 2015, the State estimates that remediation costs at Stringfellow will total $426 million. At two other sites, Leviathan Mine and BKK Landfill, obligating events have occurred that may result in significant liability to the State, but reasonable estimates of the remediation costs cannot be made at this time. The State has reached a settlement for ongoing remediation costs at Leviathan Mine; the related natural resource damages claims are expected to result in Federal Court litigation in the next five years. The State's activities at the site relate to water pollution remediation. BKK is a closed Class 1 landfill site at which the State is conducting post-closure care. In addition to superfund sites, the State's other pollution remediation efforts include underground storage tank removal and cleanup, cleanup of polluted groundwater, and contaminated soil removal and cleanup, as required by state law.

The other long-term obligations for governmental activities consist of $21 million owed to the University of California, and the Technology Services Revolving Fund notes payable of $30 million. The compensated absences will be liquidated by the General Fund, special revenue funds, capital projects funds, and internal service funds. Workers' compensation and capital leases will be liquidated by the General Fund, special revenue funds, and internal service funds. The General Fund will liquidate net pension liabilities, the Proposition 98 funding guarantee, lawsuits, and reimbursement of costs incurred by local agencies and school districts for costs mandated by the State.

For business-type activities, the largest change in long-term obligations is attributed to the implementation of GASB Statements No. 68 and No. 71, which caused a $7.6 billion restatement of the beginning net pension liability. During the fiscal year, the net pension liability decreased by $1.3 billion, resulting in an ending balance of $6.3 billion. There was also a decrease of $2.0 billion in loans payable to the U.S. Department of Labor to cover shortfalls in the Unemployment Programs Fund.

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Table 11 summarizes the changes in long-term obligations during the year ended June 30, 2015.

Table 11

Schedule of Changes in Long-term Obligations
(amounts in thousands)

	Balance July 1, 2014		Additions
Governmental activities			
Compensated absences payable	$ 3,755,889		$ 1,364,970
Workers' compensation benefits payable	3,701,432		565,614
Certificates of participation and commercial paper outstanding	598,170		1,024,145
Discounts	(76)		—
Total certificates of participation and commercial paper payable	598,094		1,024,145
Capital lease obligations	260,088		89,899
General obligation bonds outstanding	80,295,870		6,613,070
Premiums	2,980,477		890,443
Total general obligation bonds payable	83,276,347		7,503,513
Revenue bonds outstanding	17,938,261		2,420,135
Accreted interest	424,426		42,891
Premiums	556,468		338,897
Discounts	(1,712)		—
Total revenue bonds payable	18,917,443		2,801,923
Mandated cost claims payable	7,850,652		401,836
Net other postemployment benefits obligation	18,616,859		4,907,194
Net pension liability	69,080,083	*	—
Other long-term obligations:			
Proposition 98 funding guarantee	1,929,082		—
Pollution remediation obligations	1,081,966		108,839
Other	102,899		10,934
Total other long-term obligations	3,113,947		119,773
Total governmental activities	**$ 209,170,834**		**$ 18,778,867**
Business-type activities			
Loans payable	$ 7,633,391		$ —
Lottery prizes and annuities	1,234,440		3,780,704
Compensated absences payable	321,346		116,784
Workers' compensation benefits payable	2,538		580
Certificates of participation and commercial paper outstanding	204,647		325,640
Capital lease obligations	1,250,274		33,410
General obligation bonds outstanding	675,480		110,000
Discounts	(1,086)	*	—
Total general obligation bonds payable	674,394		110,000
Revenue bonds outstanding	12,334,333		2,308,780
Premiums	657,710		391,958
Discounts	(216)	*	—
Total revenue bonds payable	12,991,827		2,700,738
Net other postemployment benefits obligation	628,422		176,739
Net pension liability	7,566,667	*	—
Other long-term obligations	498,193		25,097
Total business-type activities	**$ 33,006,139**		**$ 7,269,692**

* Restated

Deductions	Balance June 30, 2015	Due Within One Year	Noncurrent Liabilities
$ 1,434,849	$ 3,686,010	$ 5,370	$ 3,680,640
426,855	3,840,191	392,521	3,447,670
1,128,515	493,800	11,915	481,885
(46)	(30)	(30)	—
1,128,469	493,770	11,885	481,885
75,227	274,760	59,830	214,930
9,959,600	76,949,340	2,807,950	74,141,390
310,458	3,560,462	174,277	3,386,185
10,270,058	80,509,802	2,982,227	77,527,575
3,170,901	17,187,495	591,296	16,596,199
—	467,317	—	467,317
138,786	756,579	80,008	676,571
(292)	(1,420)	(283)	(1,137)
3,309,395	18,409,971	671,021	17,738,950
5,245,922	3,006,566	629,568	2,376,998
1,930,409	21,593,644	—	21,593,644
11,623,842	57,456,241	—	57,456,241
416,613	1,512,469	256,000	1,256,469
57,199	1,133,606	45,206	1,088,400
62,976	50,857	17,139	33,718
536,788	2,696,932	318,345	2,378,587
$ 35,981,814	**$ 191,967,887**	**$ 5,070,767**	**$ 186,897,120**
$ 1,962,738	$ 5,670,653	$ —	$ 5,670,653
3,680,249	1,334,895	591,940	742,955
100,569	337,561	149,171	188,390
142	2,976	—	2,976
293,101	237,186	148,185	89,001
73,275	1,210,409	74,718	1,135,691
134,330	651,150	70,815	580,335
(69)	(1,017)	—	(1,017)
134,261	650,133	70,815	579,318
2,829,595	11,813,518	919,050	10,894,468
192,373	857,295	81,992	775,303
(22)	(194)	—	(194)
3,021,946	12,670,619	1,001,042	11,669,577
69,985	735,176	—	735,176
1,317,691	6,248,976	—	6,248,976
33,269	490,021	41,671	448,350
$ 10,687,226	**$ 29,588,605**	**$ 2,077,542**	**$ 27,511,063**

NOTE 11: CERTIFICATES OF PARTICIPATION

Table 12 shows debt service requirements for certificates of participation, which are financed by lease payments from governmental activities. The certificates of participation were used to finance the acquisition and construction of a state office building and will be fully redeemed by June 30, 2016.

Table 12

Schedule of Debt Service Requirements for Certificates of Participation – Primary Government
(amounts in thousands)

Year Ending June 30	Principal	Interest	Total
2016	$ 11,915	$ 626	$ 12,541
Total	**$ 11,915**	**$ 626**	**$ 12,541**

NOTE 12: COMMERCIAL PAPER AND OTHER LONG-TERM BORROWINGS

The primary government has two commercial paper borrowing programs: a general obligation commercial paper program and an enterprise fund commercial paper program for the Department of Water Resources. Under the general obligation and enterprise fund programs, commercial paper (new issuance or rollover notes) may be issued at the prevailing market rate, not to exceed 11%, for periods not to exceed 270 days from the date of issuance. The proceeds from the initial issuance of commercial paper are restricted primarily for construction costs of general obligation bond program projects and certain state water projects. For both commercial paper borrowing programs, the commercial paper is retired by the issuance of long-term debt, so commercial paper is considered a noncurrent liability.

To provide liquidity for the programs, the State has entered into revolving credit agreements with commercial banks. The current "Letter of Credit" or "Note Purchase" agreements for the general obligation commercial paper program authorize the issuance of notes in an aggregate principal amount not to exceed $2.2 billion. As of June 30, 2015, the general obligation commercial paper program had $482 million in outstanding commercial paper notes for governmental activities. The current agreement for the enterprise fund commercial paper program authorizes the issuance of notes in an aggregate principal amount not to exceed $140 million. As of June 30, 2015, the enterprise fund commercial paper program had $88 million in outstanding notes.

The primary government has a bond anticipation note (BAN) program that consists of borrowing for capital improvements on certain California State University campuses. As of June 30, 2015, $149 million in outstanding BANs existed in anticipation of the primary government issuing revenue bonds to the public.

The University of California, a discretely presented component unit, has established a $2.0 billion commercial paper program with tax-exempt and taxable components. At June 30, 2015, outstanding taxable commercial paper totaled $1.1 billion. The University has other borrowings consisting of contractual obligations resulting from the acquisition of land or buildings and the construction and renovation of certain facilities. Outstanding borrowings under these uncollateralized financing agreements total $262 million for general corporate purposes for the period ending June 30, 2015. For more information regarding the commercial paper program and other long-term borrowings of the University, refer to its separately issued financial report for fiscal year 2014-15 on its website at www.ucop.edu.

NOTE 13: LEASES

The aggregate amount of lease commitments for facilities and equipment of the primary government in effect as of June 30, 2015, was approximately $3.0 billion. Primary government leases that are classified as operating leases, in accordance with the applicable standards, contain clauses providing for termination. Operating lease expenditures are recognized as being incurred over the lease term. Operating lease expenditures for the year ended June 30, 2015, amounted to approximately $268 million for governmental activities and $29 million for business-type activities. It is expected that, in the normal course of business, most of these operating leases will be replaced by similar leases.

The total present value of net minimum capital lease payments for the primary government is $1.5 billion. Note 10, Long-term Obligations, reports current additions and deductions for these capital lease obligations. Included in the capital lease commitments are lease-purchase agreements, amounting to a present value of net minimum lease payments of $1.1 billion that the California State University, reported as an enterprise fund, has entered into with the State Public Works Board (SPWB), reported as an internal service fund. This amount represents 72.3% of the total present value of minimum capital lease payments of the primary government. Also included in the capital lease commitments are lease-purchase agreements to acquire equipment. Total assets related to capital leases have a net carrying value of $254 million for governmental activities and $913 million for business-type activities.

The capital lease commitments do not include $6.4 billion in lease-purchase agreements with the SPWB and $228 million in lease purchase agreements with building authorities that are blended component units. The SPWB and the building authorities acquire or develop office buildings and then lease the facilities to state agencies. Upon expiration of the lease, title passes to the primary government. The costs of the buildings and the related outstanding revenue bonds and certificates of participation are reported as governmental activities in the government-wide financial statements. Accordingly, the lease receivables and capital lease obligations associated with these buildings are not included in the government-wide financial statements.

The University of California, a discretely presented component unit, leases land, buildings, and equipment under agreements recorded as operating leases. Additional disclosure for the University's lease obligations is included in its separately issued financial statements that may be found on its website at www.ucop.edu.

Table 13 summarizes future minimum lease commitments of the primary government.

Table 13

Schedule of Future Minimum Lease Commitments – Primary Government
(amounts in thousands)

Year Ending June 30	Governmental Activities		Business-type Activities		Total
	Operating Leases	Capital Leases	Operating Leases	Capital Leases	
2016	$ 230,627	$ 58,448	$ 22,666	$ 135,130	$ 446,871
2017	164,390	52,674	20,207	130,853	368,124
2018	113,330	41,421	16,874	130,122	301,747
2019	71,186	36,490	12,656	105,569	225,901
2020	47,706	15,793	18,552	99,841	181,892
2021-2025	50,311	55,031	24,011	430,212	559,565
2026-2030	9,488	19,283	17,333	397,082	443,186
2031-2035	5,750	16,600	8,214	336,380	366,944
2036-2040	104	7,971	3,980	96,677	108,732
2041-2045	104	891	441	2,387	3,823
2046-2050	104	—	397	—	501
2051-2055	104	—	33	—	137
2056-2060	59	—	33	—	92
2061-2065	—	—	32	—	32
2066-2070	—	—	32	—	32
2071-2075	—	—	31	—	31
2076-2080	—	—	31	—	31
2081-2085	—	—	31	—	31
2086-2090	—	—	31	—	31
2091-2095	—	—	31	—	31
2096-2100	—	—	31	—	31
Total minimum lease payments	**$ 693,263**	**304,602**	**$ 145,647**	**1,864,253**	**$ 3,007,765**
Less: amount representing interest		29,842		653,844	
Present value of net minimum lease payments		**274,760**		**1,210,409**	
Less: current portion		59,830		74,718	
Capital lease obligation, net of current portion		**$ 214,930**		**$ 1,135,691**	

NOTE 14: COMMITMENTS

As of June 30, 2015, the primary government had commitments of $7.3 billion for certain highway construction and high-speed rail projects. These commitments are not included as a liability in the Federal Fund or the Transportation Fund because future expenditures related to these commitments will be reimbursed with $1.1 billion from local governments and $6.2 billion from proceeds of approved federal grants. The primary government also had other commitments for which the future expenditures will be reimbursed by the proceeds of approved federal grants of $579 million for various education programs, $315 million for terrorism prevention and disaster-preparedness response projects, $288 million for services under the workforce development program, $158 million for services provided under various public health programs, $136 million for community service programs, $53 million for services provided under the welfare program, $50 million for services provided under the rehabilitation program, and $21 million for services provided under the child support program.

The primary government had other commitments, totaling $9.0 billion, that are not included as a liability on the Balance Sheet or the Statement of Net Position. The $9.0 billion in commitments includes grant agreements totaling approximately $5.3 billion to reimburse other entities for construction projects for school building aid, parks, transportation-related infrastructure, housing, and other improvements; and to reimburse counties and cities for costs associated with various programs. Any assets that have been constructed will not belong to the primary government, whose payments are contingent upon the other entities entering into construction contracts. The $9.0 billion in commitments includes $311 million in undisbursed loan commitments for various programs aimed at providing housing and emergency shelter to persons in need and $1.5 billion for undisbursed loan commitments to qualified agencies for clean water projects.

The $9.0 billion in commitments also includes contracts of $1.1 billion for the construction of water projects and the purchase and transmission of power that are not included as a liability on the Statement of Net Position of the Water Resources Fund. Included in this amount are certain power purchase, sale, and exchange contracts. The primary government had commitments of $353 million for CSU construction projects. CSU participates in forward-purchase contracts of natural gas and electricity. As of June 30, 2015, CSU's obligation under these special purchase arrangements requires it to purchase at fixed prices an estimated total of $41 million in electricity through December 2019 and $14 million in natural gas through June 2017. The primary government also had commitments of $47 million to veterans for the purchase of properties under contracts of sale. The California State Lottery Commission had commitments of $346 million for gaming and telecommunication systems and services. These are long-term projects, and all of the contracts' needs may not have been defined. The projects will be funded with existing and future program resources or with the proceeds of revenue and general obligation bonds.

As of June 30, 2015, the primary government encumbered expenditures of $928 million for the General Fund, $2.4 billion for the Transportation Fund, $919 million for the Environmental and Natural Resources Fund, and $720 million for the nonmajor governmental funds. See Note 2A, Budgeting and Budgetary Control, for an explanation of the primary government's policy concerning encumbrances.

As of June 30, 2015, the discretely presented and fiduciary component units had other commitments that were not included as liabilities on the corresponding Statement of Net Position. Additional disclosure for the University of California's commitments is included in its separately issued financial statements, which may be found on its website at www.ucop.edu. Additional disclosure for the California Housing Finance Agency's (CalHFA) commitments is included in its separately issued financial statements, which may be found on its website at www.CalHFA.ca.gov. Additional disclosure for the California Public Employees' Retirement System's (CalPERS) commitments is included in its separately issued financial statements, which may be found on its website at www.CalPERS.ca.gov. Additional disclosure for the California State Teachers' Retirement System's (CalSTRS) commitments is included in its separately issued financial statements, which may be found on its website at www.CalSTRS.com.

NOTE 15: GENERAL OBLIGATION BONDS

The State Constitution permits the primary government to issue general obligation bonds for specific purposes and in such amounts as approved by a two-thirds vote of both houses of the Legislature and by a majority of voters in a general or direct primary election. The debt service for general obligation bonds is appropriated from the General Fund. Under the State Constitution, the General Fund is used first to support the public school system and public institutions of higher education; the General Fund can then be used to service the debt on outstanding general obligation bonds. Enterprise funds and certain other funds reimburse the General Fund for any debt service it provides on their behalf. General obligation bonds that are directly related to, and are expected to be paid from, the resources of enterprise funds are included as a liability of such funds in the financial statements. However, the General Fund may be liable for the payment of any principal and interest on these bonds that is not met from the resources of such funds.

As of June 30, 2015, the State had $76.9 billion in outstanding general obligation bonds related to governmental activities and $651 million related to business-type activities. In addition, $30.1 billion in long-term general obligation bonds had been authorized but not issued, of which $29.5 billion is related to governmental activities and $596 million is related to business-type activities. The total amount authorized but not issued includes $15.4 billion authorized by the applicable finance committees for issuance in the form of commercial paper notes. Of this amount, $482 million in general obligation indebtedness in the form of commercial paper notes was not yet retired by long-term bonds.

A. Variable-rate General Obligation Bonds

The State issues both fixed and variable-rate general obligation bonds. As of June 30, 2015, the State had $3.0 billion in variable-rate general obligation bonds outstanding, consisting of $814 million in daily-rate bonds with credit enhancement and $1.7 billion in weekly-rate bonds with credit enhancement, and $498 million in weekly- or monthly-rate bonds without credit enhancement. The interest rates associated with the credit-enhanced bonds are determined by the remarketing agents to be the lowest rate that would allow the bonds to sell on the effective date of such rate at a price (without regard to accrued interest) equal to 100% of the principal amount. The interest rates associated with the unenhanced Index Floating Rate Bonds are determined by the Securities Industry and Financial Markets Association (SIFMA) Index rate or percentage of the London Interbank Offered Rate (LIBOR) then in effect plus a pre-determined spread. The interest on all variable-rate bonds is paid on the first business day of each calendar month.

The credit-enhanced bonds are secured by letters of credit that secure payment of principal and interest on the bonds. The State has entered into different credit agreements with various banks for each series of credit-enhanced bonds. Under these credit agreements, the credit providers agree to pay all principal and interest payments or the commitment amounts to the bondholders; the State is then required to reimburse the credit providers for the amounts paid. In return, the credit providers are compensated with commitment fees that are calculated as a percentage of the bank commitment amounts. The bondholders have the right to tender the bonds daily if the bonds are in a daily-rate mode and weekly if the bonds are in a weekly-rate mode. Upon a tender, the remarketing agent will attempt to remarket the bonds to a new investor. If the remarketing of the bonds is unsuccessful, the bonds will enter into a bank bond period and accrue interest at higher rates, which cannot exceed 11% as permitted by law until remarketed or redeemed. If the bonds cannot be remarketed and remain in a bank bond period ranging from 45 days to 180 days, the bonds will be subject to term loan payment in 12 equal quarterly installments under the terms stated in the credit agreements. The term loan period may exceed the expiration dates of the credit agreements. The bonds may be remarketed at any time during the bank bond or term loan period. There were no bank bonds during fiscal year 2014-15.

The letters of credit for the Series 2003 variable-rate bonds have expiration dates of October 16, 2015; November 10, 2016; December 16, 2016; and April 12, 2017. The letters of credit for the Series 2004

variable-rate bonds have expiration dates of October 15, 2015; November 10, 2016; and April 5, 2018. The letters of credit for the Series 2005 variable-rate bonds have expiration dates of November 4, 2016; November 10, 2016; December 16, 2016; February 17, 2017; and April 11, 2017. The Series 2012A and 2013 C, D, and E Index Floating Rate Bonds have mandatory purchase dates on December 1, 2016; December 1, 2017; May 1, 2018; or December 3, 2018. The Series 2012B SIFMA Index Floating Rate Bonds have final maturities from 2017 to 2020.

Based on the schedules provided in the Official Statements, any required sinking fund deposits for the variable-rate general obligation bonds will be set aside in a mandatory sinking fund at the beginning of each of fiscal years 2015-16 through 2033-34, and 2039-40. The deposits set aside in any fiscal year may be applied, with approval of the State Treasurer and the appropriate bond finance committees, to the redemption of any other general obligation bonds then outstanding. To the extent that the deposit is not applied by January 31 of each fiscal year, the variable-rate general obligation bonds will be redeemed in whole or in part on an interest payment date in that fiscal year.

B. Economic Recovery Bonds

In 2004, voters approved the one-time issuance of Economic Recovery Bonds. The debt service for these bonds is payable from and secured by amounts available in the Economic Recovery Bond Sinking Fund, a debt service fund that consists primarily of revenues from a dedicated sales tax. However, the General Fund may be liable for the payment of any principal and interest on the bonds that cannot be paid from the Economic Recovery Bond Sinking Fund. As of June 30, 2015, the State had $944 million in Economic Recovery Bonds outstanding.

C. Mandatory Tender Bonds

As of June 30, 2015, the State had $1.1 billion in outstanding general obligation mandatory tender bonds, including $650 million with a fixed interest rate and $400 million with an index floating rate (discussed in Section A). On their respective mandatory tender dates, these bonds are subject to mandatory tender for purchase at a price equal to 100% of the principal amount, plus accrued interest, without premium, unless the bonds have been called for redemption on or prior to that day. These bonds have mandatory tender dates on December 1, 2016; December 1, 2017; May 1, 2018; December 3, 2018; and December 1, 2019. In the event of an unsuccessful remarketing of all the outstanding bonds on the scheduled mandatory tender dates, the bonds will enter into a delayed remarketing period and accrue interest at a higher effective interest rate, gradually increasing on a stepped basis until they are remarketed, redeemed, or paid at maturity. Current state laws limit interest rates to 11% per annum. With respect to $100 million of the Index Floating Rate Bonds, beginning six months after the scheduled mandatory tender date, the bonds will be subject to special mandatory redemption in 20 equal quarterly installments until they are remarketed or refunded.

D. Build America Bonds

As of June 30, 2015, the State had $13.5 billion in taxable various-purpose general obligation bonds outstanding that were issued as “Build America Bonds” under the American Recovery and Reinvestment Act of 2009 (ARRA) signed into law on February 17, 2009. The bonds will mature between 2020 and 2040. Pursuant to ARRA, the State receives a cash subsidy payment from the United States Treasury equal to 35% of the interest payable by the State on the Build America Bonds on or near each interest payment date. Subsequent federal legislation reduced the Build America Bonds subsidy by 7.2% for the federal fiscal year ending September 30, 2014, and by 7.3% for the federal fiscal year ending September 30, 2015. The cash payment does not constitute a full faith and credit guarantee of the federal government, but is required to be paid by the United States Treasury under ARRA. The subsidy payments are deposited into the state treasury.

E. Debt Service Requirements

Table 14 shows the debt service requirements for all general obligation bonds as of June 30, 2015. The estimated debt service requirements for the $3.0 billion variable-rate general obligation bonds are calculated using the actual interest rates in effect on June 30, 2015. For mandatory tender bonds, the debt service requirements shown in Table 14 are based on the assumption that the interest rate will remain in effect until the applicable reset dates and that the bonds will be fully redeemed on their scheduled maturity dates. The amounts do not reflect any interest subsidy under the Build America Bonds program or any other offsets to general fund costs of debt service.

Table 14

Schedule of Debt Service Requirements for General Obligation Bonds
(amounts in thousands)

	Governmental Activities			Business-type Activities		
Year Ending June 30	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
2016	$ 2,807,950	$ 3,951,620	$ 6,759,570	$ 70,815	$ 25,326	$ 96,141
2017	2,852,670	3,842,390	6,695,060	69,685	22,689	92,374
2018	2,896,470	3,726,218	6,622,688	56,490	20,414	76,904
2019	2,898,845	3,601,053	6,499,898	43,015	18,798	61,813
2020	2,935,925	3,449,752	6,385,677	26,935	17,623	44,558
2021 - 2025	12,724,245	15,331,329	28,055,574	61,725	75,484	137,209
2026 - 2030	13,995,495	12,282,231	26,277,726	67,410	65,694	133,104
2031 - 2035	15,231,320	8,865,256	24,096,576	143,535	39,304	182,839
2036 - 2040	14,346,095	4,343,223	18,689,318	93,950	13,926	107,876
2041 - 2045	6,260,325	651,281	6,911,606	17,590	405	17,995
Total	**$ 76,949,340**	**$ 60,044,353**	**$ 136,993,693**	**$ 651,150**	**$ 299,663**	**$ 950,813**

F. General Obligation Bond Defeasances

1. Current Year

On October 7, 2014, the primary government issued $988 million in general obligation bonds to current and advance refund $1.1 billion in outstanding general obligation bonds maturing in 2015 to 2035. As a result, the refunded bonds are defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by $253 million and resulted in an economic gain of $172 million. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at 2.87% per year over the life of the new bonds.

On November 25, 2014, the primary government issued $306 million in general obligation bonds to advance refund $337 million in outstanding general obligation bonds maturing in 2021 to 2035. As a result, the refunded bonds are defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by $65 million and resulted in an economic gain of $46 million, discounted at 2.92% per year over the life of the new bonds.

On March 18, 2015, the primary government issued $1.0 billion in general obligation bonds to current refund $1.1 billion in outstanding general obligation bonds maturing in 2016 to 2030. As a result, the refunded bonds are defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by $198 million and resulted in an economic gain of $164 million, discounted at 2.56% per year over the life of the new bonds.

On April 29, 2015, the primary government issued $987 million in general obligation bonds to current and advance refund $1.1 billion in outstanding general obligation bonds maturing in 2016 to 2036. As a result, the refunded bonds are defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by $180 million and resulted in an economic gain of $131 million, discounted at 2.62% per year over the life of the new bonds.

2. Prior Years

In prior years, the primary government placed the proceeds of the refunding bonds in a special irrevocable escrow trust account with the State Treasury to provide for all future debt service payments on defeased bonds. The assets of the trust accounts and the liability for defeased bonds are not included in the State's financial statements. As of June 30, 2015, the outstanding balance of general obligation bonds defeased in prior years was approximately $1.2 billion.

NOTE 16: REVENUE BONDS

A. Governmental Activities

The State Treasurer is authorized by state law to issue Federal Highway Grant Anticipation Revenue Vehicles (GARVEE bonds). The purpose of these bonds is to accelerate the funding and construction of critical transportation infrastructure projects in order to provide congestion relief benefits to the public significantly sooner than with traditional funding mechanisms. These bonds are secured and payable from the annual federal appropriation for the State's federal-aid transportation projects. The primary government has no legal liability for the payment of principal and interest on these revenue bonds. Total principal and interest remaining on the bonds is $57 million, payable through 2020. In addition, the California Alternative Energy and Advanced Transportation Financing Authority is authorized to issue Clean Renewable Energy Bonds to fund the acquisition and installation of certain transportation-related solar energy facilities located throughout the State. Both of these bonds finance activity in the Transportation Fund and are included in the governmental activities column of the government-wide Statement of Net Position.

The Golden State Tobacco Securitization Corporation (GSTSC), a blended component unit, as authorized by state law, has issued asset-backed bonds to purchase 100% of the State's rights to future revenues from the Master Settlement Agreement with participating tobacco companies. These bonds are secured by and payable solely from future Tobacco Settlement Revenue and interest earned on that revenue. The primary government has no legal liability for the payment of principal and interest on the bonds. The Legislature has annually granted a General Fund appropriation for payment of debt service in the event tobacco settlement revenues and other available amounts prove insufficient to make these payments during the next fiscal year. However, the use of the appropriated monies has never been required. In 2013 and 2015, bonds were issued to partially refund the 2005 bonds. Total principal and interest remaining on all asset-backed bonds is $17.0 billion, payable through 2047. All of the Tobacco Settlement Revenue and interest has been pledged in support of these asset-backed bonds. Principal and interest paid in the current year totaled $426 million, while Tobacco Settlement Revenue and interest earned totaled $415 million. These bonds are included in the governmental activities column of the government-wide Statement of Net Position.

Under state law, the State Public Works Board (SPWB), an agency that accounts for its activity in the Public Buildings Construction Fund, an internal service fund, and certain building authorities may issue revenue bonds. These bonds are issued for the purpose of constructing state office buildings. Leases with state agencies pay the principal and interest on the revenue bonds issued by the Public Buildings Construction Fund and building authorities. The General Fund has no legal liability for the payment of principal and interest on these revenue bonds. Total principal and interest remaining on the bonds is $16.8 billion, payable through 2040. These revenue bonds are included in the governmental activities column of the government-wide Statement of Net Position.

For the specific debt service coverage ratios, refer to the Schedule of Pledged Revenue Coverage in the Statistical Section.

B. Business-type Activities

Revenue bonds that are directly related to, and are expected to be paid from, the resources of enterprise funds are included in the accounts of such funds. Principal and interest on revenue bonds are payable from the pledged revenues of the respective funds of agencies that issued the bonds. The General Fund has no legal liability for payment of principal and interest on revenue bonds. For specific debt service coverage ratios, refer to the Schedule of Pledged Revenue Coverage in the Statistical Section.

Revenue bonds to acquire, construct, or renovate state facilities or to refund outstanding revenue bonds in advance of maturity are issued for water resources, financing of electric power purchases for resale to utility customers, state university campuses, and certain nonmajor enterprise funds.

C. Discretely Presented Component Units

The University of California issues revenue bonds to finance various auxiliary, administrative, academic, medical center, and research facilities. The revenue bonds are not collateralized by any encumbrance, mortgage, or other pledge of property except pledged revenues, and do not constitute general obligations of the University. For more information regarding revenue bonds, current year defeasances, and outstanding defeasances of the University, refer to its separately issued financial report for fiscal year 2014-15, which may be found on its website at www.ucop.edu.

Under state law, the California Housing Finance Agency (CalHFA) issues fixed-rate and variable-rate revenue bonds to fund loans to qualified borrowers for single-family houses and multifamily developments. Variable-rate debt is typically related to remarketed rates or common indices, such as the Securities Industry and Financial Markets Association (SIFMA) or the London Interbank Offered Rate (LIBOR) and is reset periodically. CalHFA issues both federally taxable and tax-exempt bonds. The bonds issued by CalHFA are payable solely from and collateralized by revenues and other pledged assets. For more information regarding revenue bonds, current year defeasances, and outstanding defeasances of the CalHFA, refer to its separately issued financial report for fiscal year 2014-15, which may be found on its website at www.CalHFA.ca.gov.

Table 15 shows outstanding revenue bonds of the primary government and the discretely presented component units.

Table 15

Schedule of Revenue Bonds Payable
June 30, 2015
(amounts in thousands)

Primary government		
Governmental activities		
Transportation Fund	$	53,723
Public Buildings Construction Fund		11,130,616
Nonmajor governmental funds:		
Golden State Tobacco Securitization Corporation Fund		6,967,374
Building authorities		258,258
Total governmental activities		**18,409,971**
Business-type activities		
Electric Power Fund		5,631,000
Water Resources Fund		2,724,008
California State University		3,910,999
Nonmajor enterprise funds		404,612
Total business-type activities		**12,670,619**
Total primary government		**31,080,590**
Discretely presented component units		
University of California		17,467,386
California Housing Finance Agency		2,914,626
Nonmajor component units		309,756
Total discretely presented component units		**20,691,768**
Total revenue bonds payable	**$**	**51,772,358**

Table 16 shows the debt service requirements for fixed-rate and variable-rate bonds. It excludes unamortized premiums and discounts that are included in Table 15.

Table 16

Schedule of Debt Service Requirements for Revenue Bonds
(amounts in thousands)

	Primary Government				Discretely Presented	
	Governmental Activities		Business-type Activities		Component Units	
Year Ending June 30	Principal	Interest	Principal	Interest	Principal	Interest *
2016	$ 591,296	$ 858,208	$ 919,050	$ 555,988	$ 386,998	$ 925,202
2017	625,556	831,513	954,065	514,121	434,681	886,121
2018	678,501	800,147	989,480	469,303	415,335	865,604
2019	658,931	762,017	1,019,565	422,559	427,014	845,899
2020	665,426	789,235	1,063,263	374,653	734,588	822,541
2021-2025	3,114,090	3,343,161	3,207,625	1,192,117	2,718,705	3,698,495
2026-2030	3,279,722	2,513,758	1,565,880	695,558	3,163,040	2,919,168
2031-2035	3,146,085	1,677,003	1,172,825	368,348	3,468,190	2,144,417
2036-2040	2,203,805	985,318	689,850	133,932	3,374,673	1,352,821
2041-2045	1,643,505	700,592	231,915	21,045	2,416,771	719,407
2046-2050	1,047,895	3,310,986	—	—	950,695	405,613
2051-2115	—	—	—	—	1,360,000	4,139,561
Total	**$ 17,654,812**	**$ 16,571,938**	**$ 11,813,518**	**$ 4,747,624**	**$ 19,850,690**	**$ 19,724,849**

* Includes interest on variable-rate bonds based on rates in effect on June 30, 2015.

D. Revenue Bond Defeasances

1. Current Year – Governmental Activities

In April 2015, the GSTSC issued $1.7 billion in Enhanced Tobacco Settlement Asset-Backed bonds to refund $2.0 billion in outstanding bonds with maturities in June of 2035, 2038, and 2045. The net proceeds of the refunding bonds were deposited into an escrow account to provide for all future debt service payments on the refunded bonds. As a result, the bonds are considered defeased and the liability for the bonds has been removed from the financial statements. The refunding will decrease debt service payments by $268 million and will result in an economic gain of $9 million.

During the 2014-15 fiscal year, the State Public Works Board issued $469 million in lease revenue refunding bonds. The bond proceeds were used to refund $538 million in outstanding lease revenue bonds. The net proceeds of the refunding bonds were deposited into an escrow account to provide for all future debt service payments on the refunded bonds. As a result, the bonds are considered defeased and the liability for those bonds has been removed from the financial statements. This refunding will decrease debt service payments by $73 million and will result in an economic gain of $62 million for the refunded bonds. The lease revenue bonds are reported in the Public Buildings Construction Fund, an internal service fund.

2. Current Year – Business-type Activities

In August 2014, the California State University issued $748 million in systemwide revenue refunding bonds to defease certain outstanding systemwide revenue bonds. A portion of the proceeds was deposited into an escrow account to provide for all future debt service payments on the refunded bonds. As a result, the bonds are considered defeased and the liability for these bonds has been removed from the financial statements. This refunding will decrease debt service payments by $74 million over the life of the bonds and will result in an economic gain of $52 million for the refunded bonds.

On October 30, 2014, the Department of Water Resources issued $646 million in refunding water system revenue bonds to advance refund $690 million in outstanding water system revenue bonds. The net proceeds of the refunding bonds, along with funds on-hand, were deposited into an escrow account to provide for all future debt service payments on the refunded bonds. As a result, the bonds are considered defeased and the liability for the bonds has been removed from the financial statements. This refunding will decrease debt service payments by $70 million and will result in an economic gain of $56 million.

On April 1, 2015, the Department of Water Resources issued $766 million in refunding electric power revenue bonds to advance refund $813 million in outstanding electric power revenue bonds. The net proceeds were deposited into an escrow account to provide for all future debt service payments on the refunded bonds. As a result, the bonds are considered defeased and the liability for those bonds has been removed from the financial statements. This refunding will decrease debt service payments over the next seven years by $52 million and will result in an economic gain of $46 million. The electric power revenue bonds are reported in the Electric Power Fund.

3. Prior Years

In prior years, the primary government defeased certain bonds by placing the proceeds of new bonds in irrevocable trust accounts to provide for all future debt service requirements. Accordingly, the assets and liabilities for these defeased bonds are not included in the financial statements. As of June 30, 2015, the outstanding balance of revenue bonds defeased in prior years was $186 million for governmental activities and $2.8 billion for business-type activities.

NOTE 17: SERVICE CONCESSION ARRANGEMENTS

The State entered into various service concessions arrangements with independent third parties to develop, equip, operate, and maintain nonexclusive concessions at park grounds in exchange for fixed installment payments, for a fixed period of time. These third parties are compensated by user fees. These existing facilities are reported as capital assets by the State, the present value of installment payments are reported as receivables, and a corresponding deferred inflow of resources is reported in the government-wide Statement of Net Position. The State reserves the right to provide or modify the types of goods and services provided by the operator to ensure that the public receives fair pricing, proper service, and appropriate quality. The State is not obligated by the debts of the operator in the event of a default, nor does the State guarantee minimum revenue to the operator. The amount of the primary government's service concession arrangements can be found in Note 21, Deferred Outflows and Deferred Inflows of Resources.

The University of California, a discretely presented component unit, has entered into service concession arrangements with third parties for student housing and certain other faculty and student services. Payments received or to be received by the University from service concession arrangements are reported as deferred inflows of resources. Additional information on the University's service concession arrangements can be found in the University's separately issued financial statements on its website at www.ucop.edu.

NOTE 18: INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

Short-term interfund receivables and payables result from the time lag between the dates on which goods and services are delivered and the dates on which payments between entities are made. In addition, interfund borrowing, mainly from nonmajor governmental funds and fiduciary funds, is used to meet temporary imbalances of receipts and disbursements in the General Fund.

Table 17 shows the amounts due from and due to other funds.

Table 17

Schedule of Due From Other Funds and Due To Other Funds
June 30, 2015
(amounts in thousands)

	Due To				
Due From	**General Fund**	**Transportation Fund**	**Environmental and Natural Resources Fund**	**Nonmajor Governmental Funds**	**Electric Power Fund**
Governmental funds					
General Fund	$ —	$ —	$ —	$ 358,219	$ —
Federal Fund	497,312	995,284	68,265	99,064	—
Transportation Fund	—	—	—	43,696	—
Environmental and Natural Resources Fund	60,275	19,512	—	88	—
Nonmajor governmental funds	948,876	171,839	12,259	18,246	—
Total governmental funds	**1,506,463**	**1,186,635**	**80,524**	**519,313**	**—**
Enterprise funds					
Electric Power	123	—	—	—	—
Water Resources Fund	428	36	12	—	—
State Lottery Fund	331	—	—	359,237	—
Unemployment Programs Fund	80,840	—	—	—	—
California State University Fund	70	—	—	1	—
Nonmajor enterprise funds	1,091	—	379	225	—
Total enterprise funds	**82,883**	**36**	**391**	**359,463**	**—**
Internal service funds	**12,188**	**3,335**	**4,209**	**21,290**	**4,000**
Total due from other funds	**$ 1,601,534**	**$ 1,190,006**	**$ 85,124**	**$ 900,066**	**$ 4,000**

	Due To							
Water Resources Fund	**State Lottery Fund**	**Unemployment Programs Fund**	**California State University Fund**	**Nonmajor Enterprise Funds**	**Internal Service Funds**	**Fiduciary Funds**	**Total Due to Other Funds**
$ —	$ —	$ —	$ 11	$ —	$ 276,237	$ 3,306,650	$ 3,941,117
—	—	2,000	—	1,019	18,568	11,980,719	13,662,231
—	—	—	—	—	21,771	81,222	146,689
—	—	—	—	—	18,754	513	99,142
—	—	—	543	58	34,376	1,617,136	2,803,333
—	**—**	**2,000**	**554**	**1,077**	**369,706**	**16,986,240**	**20,652,512**
—	—	—	—	—	533	—	656
—	—	—	—	—	45,032	—	45,508
—	—	—	—	—	19	—	359,587
—	—	—	—	—	—	—	80,840
—	—	—	—	—	62	—	133
—	—	—	—	—	19	14	1,728
—	**—**	**—**	**—**	**—**	**45,665**	**14**	**488,452**
996	**339**	**2,356**	**458**	**524**	**79,418**	**3,548**	**132,661**
$ 996	**$ 339**	**$ 4,356**	**$ 1,012**	**$ 1,601**	**$ 494,789**	**$ 16,989,802**	**$ 21,273,625**

Interfund receivables and payables are the result of interfund loans that are not expected to be repaid within one year. In addition to the temporary interfund cash-flow borrowing shown in Table 17, annual enacted budgets provide for long-term loans from many of the State's special funds—mainly the Transportation Fund, Environmental and Natural Resources Fund, and nonmajor governmental funds—to the General Fund. The $2.9 billion in Transportation Fund loans payable from the General Fund also includes $932 million in deferred Proposition 42 transfers for traffic congestion relief and other direct loans from the Traffic Congestion Relief Program.

Table 18 shows the primary government's interfund receivables and payables.

Table 18

Schedule of Interfund Receivables and Payables
June 30, 2015
(amounts in thousands)

	Interfund Payables		
Interfund Receivables	**General Fund**	**Transportation Fund**	**Environmental and Natural Resources Fund**
Governmental funds			
General Fund	$ —	$ 2,909,563	$ 623,097
Transportation Fund	—	—	—
Environmental and Natural Resources Fund	—	40,000	—
Nonmajor governmental funds	5,876	2,698	—
Total governmental funds	**5,876**	**2,952,261**	**623,097**
Internal service funds	**40,650**	**—**	**—**
Total primary government	**$ 46,526**	**$ 2,952,261**	**$ 623,097**

Interfund Payables

Nonmajor Governmental Funds	Water Resources Fund	Unemployment Programs Fund	Nonmajor Enterprise Funds	Internal Service Funds	Total
$ 1,128,780	$ —	$ 611,690	$ 1,600	$ 6,998	$ 5,281,728
10,000	—	—	—	1,096	11,096
—	—	—	—	—	40,000
—	—	—	—	—	8,574
1,138,780	**—**	**611,690**	**1,600**	**8,094**	**5,341,398**
115	**93,047**	**—**	**—**	**5,861**	**139,673**
$ 1,138,895	**$ 93,047**	**$ 611,690**	**$ 1,600**	**$ 13,955**	**$ 5,481,071**

The amounts shown as due from primary government and due to component units represent short-term receivables and payables between the primary government and component units resulting from the time lag between the dates on which goods and services are provided and received and the dates on which payments between entities are made.

Table 19 shows the amounts due from the primary government and due to component units.

Table 19

Schedule of Due from Primary Government and Due to Component Units
June 30, 2015
(amounts in thousands)

	Due To Component Units		
Due From	**University of California**	**Nonmajor Component Units**	**Total**
Governmental funds			
General Fund	$ 133,017	$ 1,311	$ 134,328
Transportation Fund	95	—	95
Environmental and Natural Resources Fund	148	—	148
Nonmajor governmental funds	34,089	—	34,089
Total governmental funds	**167,349**	**1,311**	**168,660**
Total primary government	**$ 167,349**	**$ 1,311**	**$ 168,660**

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B. Interfund Transfers

Transfers move money collected by one fund to another fund, which then disburses it as required by law. The General Fund and certain other funds transfer money to support various programs accounted for in other funds. The largest transfer from the General Fund was $3.3 billion to nonmajor governmental funds, mainly for support of trial courts and for the retirement of Economic Recovery Bonds. The General Fund also transferred $2.6 billion to the California State University, an enterprise fund. The Transportation Fund transferred $836 million in weight fee revenues to the Transportation Debt Service Fund, a nonmajor governmental fund, for reimbursement of debt service costs. The Federal Fund transferred $568 million to the General Fund for administration of the Unemployment Insurance Program.

Table 20 shows interfund transfers of the primary government.

Table 20

Schedule of Interfund Transfers
June 30, 2015
(amounts in thousands)

	Transferred To		
Transferred From	**General Fund**	**Transportation Fund**	**Environmental and Natural Resources Fund**
Governmental funds			
General Fund	$ —	$ —	$ 28,853
Federal Fund	567,500	—	169,154
Transportation Fund	76,110	—	17,405
Environmental and Natural Resources Fund	853	—	—
Nonmajor governmental funds	58,675	28	28,300
Total governmental funds	**703,138**	**28**	**243,712**
Nonmajor enterprise funds	**9,212**	**—**	**—**
Internal service funds	**22,525**	**—**	**—**
Total primary government	**$ 734,875**	**$ 28**	**$ 243,712**

	Transferred To			
	Nonmajor Governmental Funds	**California State University Fund**	**Internal Service Funds**	**Total**
	$ 3,336,603	$ 2,564,182	$ 97,102	$ 6,026,740
	30,051	—	—	766,705
	878,459	—	—	971,974
	7,807	—	—	8,660
	73,672	—	—	160,675
	4,326,592	**2,564,182**	**97,102**	**7,934,754**
	—	**—**	**—**	**9,212**
	38,927	**—**	**3,000**	**64,452**
	$ 4,365,519	**$ 2,564,182**	**$ 100,102**	**$ 8,008,418**

NOTE 19: FUND BALANCES, FUND AND NET POSITION DEFICITS, AND ENDOWMENTS

A. Fund Balances

Table 21 shows the composition of the governmental fund balances.

Table 21

Schedule of Fund Balances by Function
June 30, 2015
(amounts in thousands)

	General Fund	Federal Fund	Transportation Fund	Environmental and Natural Resources Fund	Nonmajor Governmental Funds
Nonspendable					
Long-term interfund receivables	$ 46,526	$ —	$ —	$ —	$ —
Long-term loans receivable	6,905	—	—	—	—
Other	—	—	—	—	5,620
Total nonspendable	**53,431**	**—**	**—**	**—**	**5,620**
Restricted					
General government	5,645	—	—	6,821	4,011,121
Education	453,172	1,434	1,175	—	464,075
Health and human services	195,293	257	—	1,551,919	1,818,396
Resources	672	10,709	—	4,225,446	113,010
State and consumer services	5,431	—	225,310	44,847	490,122
Business and transportation	—	205,480	7,935,269	55,209	3,062,630
Correctional programs	—	—	—	—	937
Budget stabilization	1,606,422	—	—	—	—
Total restricted	**2,266,635**	**217,880**	**8,161,754**	**5,884,242**	**9,960,291**
Committed					
General government	16,468	—	—	19,506	319,269
Education	2,946	—	—	—	38,842
Health and human services	4,280	—	1,341	—	332,183
Resources	1,323	—	6	2,442,998	694,807
State and consumer services	—	—	—	29,181	62,006
Business and transportation	—	—	54,191	—	91,907
Correctional programs	77,776	—	—	—	4,326
Total committed	**102,793**	**—**	**55,538**	**2,491,685**	**1,543,340**
Assigned – general government	**—**	**—**	**—**	**—**	**16,767**
Unassigned	**(4,651,491)**	**—**	**(229)**	**(2,080)**	**(4,147)**
Total fund balances (deficit)	**$ (2,228,632)**	**$ 217,880**	**$ 8,217,063**	**$ 8,373,847**	**$ 11,521,871**

B. Fund and Net Position Deficits

Table 22 shows the fund and net position deficit balances.

Table 22

Schedule of Fund and Net Position Deficits
June 30, 2015
(amounts in thousands)

	Governmental Funds	Internal Service Funds	Enterprise Funds
General Fund	$ 2,228,632	$ —	$ —
Architecture Revolving Fund	—	28,461	—
Service Revolving Fund	—	677,510	—
Technology Services Revolving Fund	—	138,957	—
Water Resources Revolving Fund	—	612	—
Unemployment Programs Fund	—	—	871,887
California State University Fund	—	—	3,114,629
Total fund balance and net position deficits	**$ 2,228,632**	**$ 845,540**	**$ 3,986,516**

C. Discretely Presented Component Unit Endowments and Gifts

The University of California, a discretely presented component unit, administers certain restricted nonexpendable, restricted expendable, and unrestricted endowments that are included in the related net position categories of the government-wide and fund financial statements. As of June 30, 2015, the value of restricted endowments and gifts totaled $14.9 billion, and unrestricted endowments and gifts totaled $2.5 billion. The University's policy is to retain realized and unrealized appreciation on investments with the endowment after an annual income distribution. The net appreciation available to meet future spending needs upon approval by the Board of Regents amounted to $2.3 billion at June 30, 2015. The portion of investment returns earned on endowments and distributed each year to support current operations is based on a rate approved by the Board of Regents. In addition, the California State University Auxiliary Organizations and the University of California Hastings College of the Law, nonmajor component units, have restricted nonexpendable and restricted expendable endowments of $1.0 billion and $10 million, respectively.

NOTE 20: RISK MANAGEMENT

The primary government has elected, with a few exceptions, to be self-insured against loss or liability. The primary government generally does not maintain reserves. Losses are covered by appropriations from each fund responsible for payment in the year in which the payment occurs. The State is permissively self-insured and, barring any extraordinary catastrophic event, the potential amount of loss faced by the State is not considered material in relation to the primary government's financial position. Generally, the exceptions are when a bond resolution or a contract requires the primary government to purchase commercial insurance for coverage against property loss or liability. There have been no significant reductions in insurance coverage from the prior year. In addition, no insurance settlement in the last three years has exceeded insurance coverage. All claim payments are on a "pay-as-you-go" basis, with workers' compensation benefits for self-insured agencies initially being paid by the State Compensation Insurance Fund.

The discounted liability for unpaid self-insurance claims of the primary government is estimated to be $3.8 billion as of June 30, 2015. This estimate is primarily based on actuarial reviews of the State's workers' compensation program and includes indemnity payments to claimants, as well as all other costs of providing workers' compensation benefits, such as medical care and rehabilitation. The estimate also includes the liability for unpaid services fees, industrial disability leave benefits, and incurred-but-not-reported amounts. The estimated total liability of approximately $5.4 billion is discounted to $3.8 billion using a 3.5% interest rate. Of the total discounted liability, $392 million is a current liability, of which $263 million is included in the General Fund, $127 million in the special revenue funds, and $2 million in the internal service funds. The remaining $3.4 billion is reported as other noncurrent liabilities in the government-wide Statement of Net Position.

The University of California, a discretely presented component unit, is self-insured or insured through a wholly-owned captive insurance company for medical malpractice, workers' compensation, employee and student health care, and general liability claims. These risks are subject to various claim and aggregate limits, with excess liability coverage provided by an independent insurer. Liabilities are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate for claims that have been incurred but not reported. The estimated liabilities are based on an independent actuarial determination of the present value of the anticipated future payments, discounted at rates of either 2% or 5%. Claims for employee and student health care are not discounted.

Table 23 shows the changes in the self-insurance claims liability for the primary government and the discretely presented component units.

Table 23

Schedule of Changes in Self-Insurance Claims
Year Ended June 30
(amounts in thousands)

	Primary Government		Discretely Presented Component Unit University of California	
	2015	**2014**	**2015**	**2014**
Unpaid claims, beginning	$ 3,703,970	$ 3,509,555	$ 644,578	$ 631,798
Incurred claims	566,194	639,704	736,443	467,191
Claim payments	(426,997)	(445,289)	(688,879)	(454,411)
Unpaid claims, ending	**$ 3,843,167 ***	**$ 3,703,970**	**$ 692,142**	**$ 644,578**

* Includes $2,976 for business-type activities.

NOTE 21: DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

In the fund financial statements, governmental funds reported deferred inflows of resources of $1.6 billion as this amount represents revenues that are earned and measurable, but not available within 12 months of the end of the reporting period.

Table 24 shows the detail of the deferred outflows of resources and deferred inflows of resources reported in the government-wide Statement of Net Position. For descriptions of the deferred outflows and deferred inflows of resources transactions, see Note 1.L.

Table 24

Schedule of Deferred Outflows and Deferred Inflows of Resources
June 30, 2015
(amounts in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Deferred outflows of resources:				
Loss on refunding of debt	$ 792,380	$ 366,612	$ 1,158,992	$ 391,207
Decrease in fair value of hedging derivatives	—	—	—	114,637
Net pension liability	5,335,096	683,754	6,018,850	5,200,898
Total deferred outflows of resources	**6,127,476**	**1,050,366**	**7,177,842**	**5,706,742**
Deferred inflows of resources:				
Gain on refunding of debt	163,702	—	163,702	272
Service concession arrangements	70,316	—	70,316	72,024
Net pension liability	11,755,153	1,226,857	12,982,010	5,295,580
Other deferred inflows	—	775,625	775,625	570
Total deferred inflows of resources	**$ 11,989,171**	**$ 2,002,482**	**$ 13,991,653**	**$ 5,368,446**

NOTE 22: NO COMMITMENT DEBT

The California Housing Finance Agency (CalHFA), a major component unit, issued conduit debt to provide financial assistance for the acquisition, construction, and development of multifamily rental housing. As of June 30, 2015, the CalHFA had $372 million of conduit debt obligations outstanding, which is not debt of the State.

Certain debt of the nonmajor component units is issued to finance activities such as the promotion of renewable energy sources and financing for economic development projects. This debt is secured by the credit of private and public entities and is administered by trustees independent of the State. As of June 30, 2015, these component units had approximately $3.9 billion of debt outstanding, which is not debt of the State.

NOTE 23: CONTINGENT LIABILITIES

A. Litigation

The primary government is a party to numerous legal proceedings, many of which are not unusual for governmental operations. To the extent they existed, the following legal proceedings were accrued as a liability in the government-wide financial statements: those decided against the primary government before June 30, 2015; those in progress as of June 30, 2015, and settled or decided against the primary government as of March 11, 2016; and those having a high probability of resulting in a decision against the primary government as of March 11, 2016, and for which amounts could be estimated. In the governmental fund financial statements, the portion of the liability that is expected to be paid within the next 12 months is recorded as a liability in the fund from which payment will be made. In the proprietary fund financial statements, the entire liability is recorded in the fund from which payment will be made.

In addition, the primary government is involved in certain other legal proceedings that, if decided against the primary government, may impair its revenue sources or require it to make significant expenditures. Because of the prospective nature of these proceedings, no provision for the potential liability has been made in the financial statements.

Following are the more significant lawsuits pending against the primary government:

The primary government is a defendant in two cases, *Bakersfield Mall, LLC v. Franchise Tax Board*, and *CA–Centerside II, LLC v. Franchise Tax Board*, both regarding the constitutionality of a fee imposed on limited-liability companies (LLC). Plaintiffs allege class action and declaratory relief, and seek attorney fees based on alleged violations to the state and federal constitutions. They seek certification of two classes of allegedly similarly situated LLCs and unspecified amount of refunds on behalf of the LLC classes, alleged to be in excess of 50,000 members. The trial court has denied class certification and the plaintiffs have appealed. Briefing of the appeal was completed on December 17, 2014, and the parties are waiting for notice of oral argument.

In a previously settled case, *Northwest Energetic Services, LLC v. Franchise Tax Board*, the Court of Appeal found the fee unconstitutional only as applied to the plaintiff. The primary government has already begun to pay refunds to LLCs, with the same facts as Northwest, that have no income earned inside California. In another previously settled case, *Ventas Finance I, LLC v. Franchise Tax Board*, the Court of Appeal also ruled that the fee is unconstitutional as applied to the plaintiff, but it awarded only a partial refund because Ventas received income from both inside and outside of California. *Bakersfield Mall, LLC v. Franchise Tax Board* raised the same constitutional issues as Northwest and Ventas, but initially pertained to LLCs that conduct business solely within California. Bakersfield Mall, LLC later amended its complaint to reflect the fact that not all of its income is derived within the state, making it similar to the Ventas case. This plaintiff also intended to bring a class action suit for refund on behalf of all similarly situated LLCs and to declare the LLC fee unconstitutional. However, the Court of Appeal ruled that Bakersfield Mall, LLC did not follow mandatory class action claim procedures. *CA-Centerside II, LLC v. Franchise Tax Board* raised the same constitutional issues as the Bakersfield case, and alleges that the LLC fee is unconstitutional regarding any activities, whether in-state or out-of-state. Actual and expected future claims for refunds from LLCs are estimated to be as high as $1.2 billion.

The primary government is a defendant in a case, *Harley-Davidson, Inc. and Subsidiaries v. Franchise Tax Board* regarding the constitutionality of Revenue and Taxation Code section 25101.15 allowing intrastate unitary businesses the option of reporting the income of various entities within the unitary business on either a separate or combined basis. The plaintiff claims, among other things, that section 25101.15 unlawfully discriminates against them because it allows intrastate unitary businesses the option to report on either a

separate or combined basis, and that they should be allowed to report the income of their business entities on a separate basis. The Franchise Tax Board prevailed in the trial court, but the Court of Appeal reversed the decision and sent the case back to the trial court for a further determination of the merits of the taxpayer's case. Trial is currently scheduled for August 2016. If section 25101.15 were invalidated, the dollar amount of potential refunds for past years is impossible to estimate, but could be substantial. The potential loss of future revenue is also impossible to estimate, but could be mitigated by legislative action.

The primary government is a defendant in another case, *Abercrombie & Fitch Co. & Subsidiaries v. Franchise Tax Board*, regarding constitutionality of Revenue and Taxation Code section 25101.15. The parties' cross-motions for summary judgment were heard on January 8, 2015. After that hearing, the superior court stayed further proceedings pending an appellate decision in the *Harley-Davidson* case. A hearing on the motions was heard on November 24, 2015. An estimate of potential loss is not possible.

A writ petition, *Bekkerman et al v. California Board of Equalization*, has been filed against the primary government challenging the validity of a Board of Equalization (the Board) sales tax regulation (Cal. Code of Regulations, Title 18, section 1585) that requires the sales tax charged on a mobile telephone be based on the full "unbundled" price of the phone, rather than any discounted price that is contingent on a service plan commitment. A companion class action has been filed, but not yet served, pending resolution of the writ. If the sales tax regulation is invalidated, the companion class action could lead to an order requiring the Board to refund up to $1 billion of sales tax collections. The superior court will hold a hearing on the merits of the writ on October 21, 2016.

The primary government was a defendant in the following cases: *Anthem Blue Cross v. David Maxwell-Jolly, et al.*; *Molina Family Health Plan v. DHCS*; *and Health Net of California v. DHCS* regarding application of budget reduction factors to managed-care capitated rates. These cases have been settled on a contingent basis based on the plans' profitability. The estimated combined total potential loss is more than $400 million based on three separate settlement agreements that were entered into in 2013 and 2014. The primary government is involved in similar disputes with LA Care and other local initiatives regarding application of budget reduction factors to managed-care capitation rates; these disputes are still pending in administrative hearings. The combined total potential loss is more than $900 million.

B. Federal Audit Exceptions

The primary government receives substantial funding from the federal government in the form of grants and other federal assistance. The primary government, the University of California, California Housing Finance Agency (CalHFA), and certain nonmajor discretely presented component units are entitled to these resources only if they comply with the terms and conditions of the grants and contracts and with the applicable federal laws and regulations; they may spend these resources only for eligible purposes. If audits disclose exceptions, the primary government, the University, CalHFA, and certain nonmajor discretely presented component units may incur a liability to the federal government.

NOTE 24: PENSION TRUSTS

The California Public Employees' Retirement System (CalPERS) provides retirement and health benefits to eligible employees of the State, public agencies, and public schools through single-employer, agent multiple-employer, and cost-sharing plans. The California State Teachers' Retirement System (CalSTRS) provides pension benefits to full-time and part-time employees of the State's public school system. Both are fiduciary component units of the State, and their financial activity is included in the pension and other employee benefit trust funds column of the fiduciary funds and similar component units' financial statements of this report.

CalPERS administers four defined benefit retirement plans: the Public Employees' Retirement Fund (PERF), the Judges' Retirement Fund (Judges'), the Judges' Retirement Fund II (Judges' II), and the Legislators' Retirement Fund (Legislators'). CalPERS previously administered three defined contribution plans: the State Peace Officers' and Firefighters' Defined Contribution Plan Fund (SPOFF), the Public Employees' Deferred Compensation Fund, and the Supplemental Contribution Program Fund. However, effective June 1, 2014, the SPOFF plan was termininated and, as directed by state statute, the remaining funds were transferred to the Supplemental Contribution Program Fund in March 2015.

The PERF accounts for the majority of assets and liabilities reported for CalPERS' plans. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for these plans. The report may be found on CalPERS' website at www.CalPERS.ca.gov.

Contributions to the CalPERS' pension trust funds are recognized in the period in which the contributions are due, pursuant to legal requirements. Benefits and refunds in the defined benefit plans are recognized when due and payable in accordance with the terms of each plan.

CalSTRS administers four defined benefit retirement plans within the State Teachers' Retirement Plan: the Defined Benefit Program, the Defined Benefit Supplement Program, the Cash Balance Benefit Program, and the Replacement Benefit Program. CalSTRS issues a publicly available financial report that includes financial statements and required supplementary information for these plans. This report may be found on its website at www.CalSTRS.com.

Member contributions to CalSTRS' pension plans are recognized in the period in which the contributions are earned. Employer and state contributions are recognized when earned and when the employer or the State has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable, in accordance with the retirement and benefits programs.

For the purpose of measuring net pension liability, deferred ouflows and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of CalPERS' and CalSTRS' plans and changes to the plans' fiduciary net positions has been determined on the same basis as reported by the plans.

The University of California, a discretely presented component unit, administers the University of California Retirement System (UCRS), which consists of two defined benefit plans funded with University and employee contributions, and four defined contribution plans with options to participate in internally or externally managed investment portfolios generally funded with employee non-elective and elective contributions. The State does not directly contribute to the UCRS. Additional information on the UCRS can be found in the University's separately issued financial statements on its website at www.ucop.edu.

A. California Public Employees' Retirement System

1. Public Employees' Retirement Fund (PERF)

***Plan Description*:** The PERF is comprised of and reported as three separate entities for financial reporting purposes, of which the State reports only PERF A. PERF A is comprised of agent multiple-employer plans, which include the State of California and most public agencies' rate plans that have more than 100 active members. PERF B is a cost-sharing multiple-employer plan comprised of school employers and consisting of non-teaching and non-certified employee members. PERF C is a cost-sharing multiple-employer plan comprised of public agencies' plans that generally have fewer than 100 active members. Employers participating in the PERF as of June 30, 2014, included the primary government and certain discretely presented component units; 1,517 school employers, including charter schools; and 1,746 public agencies. As the State is not an employer in PERF B or PERF C, the term "PERF" is used hereafter to refer exclusively to the agent multiple-employer plans that include employees of the primary government and certain discretely presented component units.

CalPERS acts as the common investment and administrative agent for participating employers. State employees served by the PERF include first- and second-tier miscellaneous and industrial employees, California Highway Patrol (CHP) employees, peace officers and firefighters, and other safety members.

***Benefits Provided*:** All employees in a covered class of employment who work half-time or more are eligible to participate in the PERF. The PERF provides retirement, death, disability, and survivor benefits. Vesting occurs after five years, or after ten years for second-tier employees. The benefit provisions are established by the Public Employees' Retirement Law (PERL) and the Public Employees' Pension Reform Act of 2013 (PEPRA), and are summarized in Appendix B of the State's June 30, 2013 Actuarial Valuation Report, which may be found at www.CalPERS.ca.gov/docs/forms-publications/2013-state-valuation.pdf. In general, for the PERF plans, retirement benefits are based on a formula using on a member's years of service credit, age at retirement, and final compensation (average salary for a defined period of employment). Retirement formulas vary based on:

- Classification (e.g., miscellaneous, safety, industrial, CHP, or peace officers and firefighters);
- Membership category (pre-PEPRA and post-PEPRA); and
- Specific provisions in employees' contracts.

The four basic types of retirement are:

- Service Retirement – The "normal" retirement is a lifetime benefit. In most cases, employees become eligible for service retirement as early as age 50 with five years of service credit. If the employee became a member on or after January 1, 2013, he or she must be at least 52 year old with at least five years of service to retire. Second-tier employees (miscellaneous and industrial) become eligible at age 55 with at least ten years of service credit.
- Vested Deferred Retirement – Vested members who leave employment but keep their contribution balances on deposit with CalPERS are eligible for this benefit.
- Disability Retirement – Vested members who can no longer perform the usual duties of their current position due to illness or injury may receive this benefit.
- Industrial Disability Retirement – This benefit is available for eligible safety members, industrial employees, CHP employees, and peace officers and firefighters, who are unable to perform the usual duties of their current position due to job-related illness or injury.

***Employees Covered by Benefit Terms*:** The State's June 30, 2014 Actuarial Valuation Report provides information about the number of employees by type covered within the various PERF plans. Table 25 shows the number of employees covered by the benefit terms of each of the PERF plans as of the most recent valuation.

Table 25

Number of Employees by Type Covered by Benefit Terms – PERF Plans
June 30, 2014

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
Inactive employees or beneficiaries currently receiving benefits	177,825	12,065	21,547	32,925	8,523	**252,885**
Inactive employees entitled to but not yet receiving benefits	49,717	3,137	5,601	6,390	355	**65,200**
Active employees	195,561	19,376	30,665	45,320	7,465	**298,387**
Total	**423,103**	**34,578**	**57,813**	**84,635**	**16,343**	**616,472**

***Contributions*:** Section 20814(c) of PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. These rates reflect section 20683.2, which mandates that certain employees must contribute more as of July 1, 2013. Furthermore, any reduction in employer contributions due to the increase in the employee contributions must be paid by the employer toward the unfunded liability.

Table 26 shows the average active employee and the employer contribution rates for each of the PERF plans as a percentage of annual pay for the measurement period ended June 30, 2014.

Table 26

Contribution Rates – PERF Plans
June 30, 2014

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol
Average active employee rate	6.525 %	7.571 %	10.421 %	11.252 %	10.319 %
Employer rate of annual payroll	21.137 %	16.446 %	17.905 %	31.320 %	35.897 %
Total	**27.662 %**	**24.017 %**	**28.326 %**	**42.572 %**	**46.216 %**

***Actuarial Methods and Assumptions*:** The total pension liability for PERF plans was measured as of June 30, 2014 (measurement date), by rolling forward the total pension liability determined by the June 30, 2013 actuarial valuation (valuation date), based on the actuarial methods and assumptions shown in Table 27.

Table 27

Actuarial Methods and Assumptions – PERF Plans

Valuation date:	June 30, 2013
Actuarial cost method:	Entry age normal
Actuarial assumptions:	
Discount rate	7.65%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.65% net of pension plan investment expense but without reduction for administrative expenses; includes inflation
Mortality	Mortality rates are based on the 2014 CalPERS Experience Study adopted by the CalPERS Board and include 20 years of mortality improvements using Scale BB published by the Society of Actuaries.
Post-retirement benefit adjustments (COLAs)	Contract COLA up to 2.75% until the Purchasing Power Protection Allowance floor on purchasing power applies.

***Discount Rate*:** The discount rate used to measure the total pension liability was 7.65% for the PERF. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress-tested plans that would most likely result in a discount rate that would differ from the actuarially assumed discount rate. Results of the testing showed that none of the tested plans would exhaust assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65% was applied to all plans in the PERF. The stress test results are presented in the "GASB Crossover Testing Report," which may be found on CalPERS' website at www.CalPERS.ca.gov/docs/gasb-crossover-testing-2013.pdf.

CalPERS is scheduled to review all actuarial assumptions as part of its regular asset liability management review cycle, scheduled to be completed in February 2018. Any changes to the discount rate will require action on the part of CalPERS' Board of Administration and proper stakeholder outreach.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense but without reduction for administrative expenses; includes inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short- and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, CalPERS calculated expected compound (geometric) returns over the short-term (first 10 years) and the long-term (11 – 60 years) using a building-block approach. Using the expected nominal returns for both short- and long-term, the present value of benefits

was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short- and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Table 28 shows long-term expected geometric real rate of return by asset class for all plans in the PERF.

Table 28

Long-term Expected Real Rate of Return by Asset Class – PERF Plans

Asset Class	New Strategic Allocation	Real Return Years 1 – 10 [1]	Real Return Years 11+ [2]
Global equity	47.0 %	5.25 %	5.71 %
Global fixed income	19.0	0.99	2.43
Inflation sensitive	6.0	0.45	3.36
Private equity	12.0	6.83	6.95
Real estate	11.0	4.50	5.13
Infrastructure and forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)
Total	**100.0 %**		

[1] An expected inflation rate of 2.5% used for this period.

[2] An expected inflation rate of 3.0% used for this period.

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***Changes in Net Pension Liability*:** Table 29 shows changes in net pension liability recognized over the measurement period for the PERF plans.

Table 29

Changes in Net Pension Liability – PERF Plans
(amounts in thousands)

	State Miscellaneous			State Industrial		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2013 (Valuation Date)	$ 88,885,115	$ 60,017,620	$ 28,867,495	$ 3,181,282	$ 2,420,958	$ 760,324
Changes recognized for the measurement period:						
Service cost	1,477,762	—	1,477,762	92,324	—	92,324
Interest on total pension liability	6,670,928	—	6,670,928	241,278	—	241,278
Employer contributions	—	2,156,312	(2,156,312)	—	88,516	(88,516)
Employee contributions	—	766,896	(766,896)	—	44,459	(44,459)
Investment income	—	10,370,838	(10,370,838)	—	423,076	(423,076)
Benefit payments, including refunds	(4,844,631)	(4,844,631)	—	(146,977)	(146,977)	—
Administrative expense	—	(86,473)	86,473	—	(3,583)	3,583
Net changes	**3,304,059**	**8,362,942**	**(5,058,883)**	**186,625**	**405,491**	**(218,866)**
Balance at June 30, 2014 (Measurement Date)	**$ 92,189,174**	**$ 68,380,562**	**$ 23,808,612**	**$ 3,367,907**	**$ 2,826,449**	**$ 541,458**

State Safety			State Peace Officers and Firefighters		
Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability**	**Total Pension Liability**	**Plan Fiduciary Net Position**	**Net Pension Liability**
$ 8,682,750	$ 6,583,260	$ 2,099,490	$ 34,655,771	$ 22,713,610	$ 11,942,161
402,902	—	402,902	816,836	—	816,836
663,219	—	663,219	2,622,406	—	2,622,406
—	339,232	(339,232)	—	959,741	(959,741)
—	196,148	(196,148)	—	331,956	(331,956)
—	1,162,050	(1,162,050)	—	3,964,754	(3,964,754)
(429,353)	(429,353)	—	(1,568,738)	(1,568,738)	—
—	(9,945)	9,945	—	(33,334)	33,334
636,768	**1,258,132**	**(621,364)**	**1,870,504**	**3,654,379**	**(1,783,875)**
$ 9,319,518	**$ 7,841,392**	**$ 1,478,126**	**$ 36,526,275**	**$ 26,367,989**	**$ 10,158,286**

(continued)

Table 29 (continued)

Changes in Net Pension Liability – PERF Plans (continued)
(amounts in thousands)

	California Highway Patrol			Total PERF Plans		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2013 (Valuation Date)	$ 9,604,872	$ 5,759,985	$ 3,844,887	$ 145,009,790	$ 97,495,433	$ 47,514,357
Changes recognized for the measurement period:						
Service cost	191,730	—	191,730	2,981,554	—	2,981,554
Interest on total pension liability	724,474	—	724,474	10,922,305	—	10,922,305
Employer contributions	—	277,702	(277,702)	—	3,821,503	(3,821,503)
Employee contributions	—	83,161	(83,161)	—	1,422,620	(1,422,620)
Investment income	—	1,005,007	(1,005,007)	—	16,925,725	(16,925,725)
Benefit payments, including refunds	(460,991)	(460,991)	—	(7,450,690)	(7,450,690)	—
Administrative expense	—	(8,417)	8,417	—	(141,752)	141,752
Net changes	**455,213**	**896,462**	**(441,249)**	**6,453,169**	**14,577,406**	**(8,124,237)**
Balance at June 30, 2014 (Measurement Date)	**$ 10,060,085**	**$ 6,656,447**	**$ 3,403,638**	**$ 151,462,959**	**$ 112,072,839**	**$ 39,390,120**

Reported in governmental activities	$ 32,215,408
Reported in business-type activities	6,248,976
Reported by discretely presented component units	48,009
Not reported in government-wide Statement of Net Position [1]	877,727
Total net pension liability – PERF plans	**$ 39,390,120**

(concluded)

[1] Includes amounts allocated to related organizations and fiduciary funds. Additionally, this amount includes the net pension liability for discretely presented component units with a reporting period ended December 31, 2014, that have not yet implemented GASB Statements No. 68 and No. 71. Also includes adjustments for net pension liability understatements or overstatements included in the separately issued financial statements of proprietary funds and component units.

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*:** Table 30 shows the net pension liability of the State, with regard to the PERF plans, calculated using the discount rate of 7.65%, as well as what the State's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.65%) or one percentage point higher (8.65%) than the current rate.

Table 30

Net Pension Liability Sensitivity – PERF Plans
June 30, 2015
(amounts in thousands)

	Current Rate -1%	Current Rate 7.65%	Current Rate +1%
State Miscellaneous	$ 35,024,779	$ 23,808,612	$ 14,184,286
State Industrial	998,904	541,458	153,711
State Safety	2,750,450	1,478,126	397,559
State Peace Officers and Firefighters	15,304,428	10,158,286	5,835,514
California Highway Patrol	4,813,585	3,403,638	2,218,532
Total PERF plans	**$ 58,892,146**	**$ 39,390,120**	**$ 22,789,602**

***Pension Plans Fiduciary Net Position*:** Detailed information about the PERF plans' fiduciary net position is available in the separately issued CalPERS financial report.

***Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions*:** For the PERF plans, for the year ended June 30, 2015, the State recognized pension expense of $3.4 billion. At June 30, 2015, the State reported deferred outflows of resources from contributions made by the State to the PERF plans subsequent to the measurement date of June 30, 2014, but prior to the year ended June 30, 2015, and deferred inflows of resources for the net difference between projected and actual earnings on plan investments. Deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year.

Table 31 shows pension expense and sources of deferred outflows and deferred inflows of resources related to each PERF plan.

Table 31

Pension Expense and Sources of Deferred Outflows and Deferred Inflows of Resources Related to Pensions – PERF Plans
June 30, 2015
(amounts in thousands)

	Pension Expense	Deferred Outflows of Resources: Employer Contributions Subsequent to the Measurement Date	Deferred Inflows of Resources: Difference Between Projected and Actual Earnings on Investments
State Miscellaneous	$ 1,799,177	$ 2,583,400	$ (4,701,748)
State Industrial	61,241	104,769	(191,591)
State Safety	243,403	387,508	(525,536)
State Peace Officers and Firefighters	973,488	1,148,597	(1,797,622)
California Highway Patrol	292,287	352,139	(455,834)
Total PERF plans	**$ 3,369,596**	**$ 4,576,413**	**$ (7,672,331)**

Table 32 shows amounts reported as deferred inflows of resources related to pensions that will be recognized in pension expense in future years for the PERF plans. Increases to pension expense are shown as positive amounts and decreases to pension expense are shown as negative amounts.

Table 32

Recognition of Deferred Inflows of Resources – PERF Plans
(amounts in thousands)

Year Ending June 30	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	PERF Total
2016	$ (1,175,437)	$ (47,898)	$ (131,384)	$ (449,406)	$ (113,959)	$ (1,918,084)
2017	(1,175,437)	(47,898)	(131,384)	(449,406)	(113,959)	(1,918,084)
2018	(1,175,437)	(47,898)	(131,384)	(449,405)	(113,958)	(1,918,082)
2019	(1,175,437)	(47,897)	(131,384)	(449,405)	(113,958)	(1,918,081)

***Payable to the Pension Plans*:** At June 30, 2015, the State reported a payable of $608 million for the outstanding amount of contributions to the PERF pension plans required for the year ended June 30, 2015.

2. Single-employer Plans

***Plan Description*:** CalPERS administers three single-employer defined benefit retirement plans.

Judges' – Judges' membership includes judges working in the California Supreme Court, the courts of appeal, and the superior courts who were appointed or elected prior to November 9, 1994. Judges' is funded on a "pay-as-you-go" basis, where short-term investments, contributions received during the year, and a General Fund augmentation are used to provide funding for benefit payments.

Judges' II – Judges' II membership includes judges working in the California Supreme Court, the courts of appeal, and the superior courts, who were appointed or elected on or after November 9, 1994. There are two types of service retirement available for plan members: the Defined Benefit Plan and the Monetary Credit Plan, in which members can choose a single lump sum payment or annuity at retirement.

Legislators' – Legislators' was established in 1947 and its members consist of state legislators, constitutional offices, and legislative statutory officers. The PEPRA closed Legislators' to new participants effective January 1, 2013.

***Benefits Provided*:** All employees in a covered class of employment who work on a half-time basis or more are eligible to participate. The benefits for the defined benefit plans are based on a member's years of service, age, final compensation, and a benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service. Benefits are established in accordance with the provisions of the Judges' Retirement Law, Judges' Retirement System II Law, and Legislators' Retirement Law. Additional information is available in the Actuarial Valuation Report for each plan, which may be found on CalPERS' website at www.CalPERS.ca.gov.

Judges' – The four basic types of retirement are:

- Service Retirement – Members must be at least age 60 with 20 years of service or age 70 with at least 10 years of service.
- Deferred Retirement – Vested members are eligible for deferred retirement at any age.
- Disability Retirement – The service requirement is four years. The retirement allowance is 65% of a judge's final salary, or 75% of his or her final salary if the judge has 20 or more years of service.
- Death Benefits – Beneficiaries may receive 25% of a current active judge's salary for life if the judge was not eligible for retirement. Beneficiaries receive one-half of what the retirement allowance would have been if the judge had retired on the date of death.

Judges' II – The four basic types of retirement are:

- Service Retirement – Judges must be at least age 65 with 20 years of service or age 70 with a minimum of five years of service to receive the defined benefit plan. Judges must have at least five years of service to receive the monetary credit plan.
- Disability Retirement (non-work related) – Judges who have five years of service and become permanently disabled because of a mental or physical disability may apply to the Commission on Judicial Performance for disability retirement.
- Disability Retirement (work related) – Judges receive 65% of their average monthly salary earned during the 12 months preceding their retirement date, regardless of age or length of service.
- Death Benefits – Beneficiaries receive the judge's monetary credits or three times the annual salary at the time of death, whichever is greater, if the judge was not eligible for retirement. Beneficiaries receive one-half of the retirement pension for life if the judge was retired on the date of death.

Legislators' – The three basic types of retirement are:

- Service Retirement – Members must be age 60, with four or more years of service credit, or any age with 20 or more years. The retirement age for legislative statutory officers is 55, or any age with 20 years or more of service credit.
- Disability Retirement – Disability retirement uses the same formula as service retirement. There is no reduction for members of the Legislature if retirement is before age 60.
- Death Benefits – Beneficiaries have multiple options depending on whether the member was eligible for retirement or was retired at the time of death.

***Employees Covered by Benefit Terms*:** The June 30, 2014 actuarial valuation reports for each single-employer plan provide information about the number of employees by type covered within the plans. Table 33 shows the number of employees covered by the benefit terms of each of the single-employer plans as of the most recent valuation.

Table 33

Number of Employees by Type Covered by Benefit Terms – Single-employer Plans
June 30, 2014

	Judges'	Judges' II	Legislators'	Total
Inactive employees or beneficiaries currently receiving benefits	1,912	71	248	**2,231**
Inactive employees entitled to but not yet receiving benefits	25	3	16	**44**
Active employees	279	1,392	11	**1,682**
Total	**2,216**	**1,466**	**275**	**3,957**

***Contributions*:** As Judges' is funded on a "pay-as-you-go" basis, the actuarially determined contribution requirements are the estimated amount of benefit payouts during the year. Currently, Judges' member contributions are 8% of pay. In certain situations, employers make member contributions.

Judges' II contribution rates are determined through the CalPERS' annual actuarial valuation process as required by section 75600.5 of the PERL.

For Legislators', the State's contribution is determined annually by an actuary in accordance with section 20814 of the PERL. For the measurement period ended June 30, 2014, the Legislators' actuarially determined employer contribution rate was 1.554% of annual payroll. However, because the minimum employer contribution rate under PEPRA is the greater of the actuarially determined employer rate or the employer normal cost, the required contribution rate was 38.381%.

Table 34 shows the average active employee and the employer contribution rates for each of the single-employer plans as a percentage of annual pay for the measurement period ended June 30, 2014.

Table 34

Contribution Rates – Single-employer Plans
June 30, 2014

	Judges'	Judges' II	Legislators'
Average active employee rate	"Pay-	8.150 %	7.532 %
Employer rate of annual payroll	as-you-	22.687 %	38.381 %
Total	go"	**30.837 %**	**45.913 %**

***Actuarial Methods and Assumptions*:** The total pension liability for single-employer plans was measured as of June 30, 2014 (measurement date), by rolling forward the total pension liability determined by the June 30, 2013 actuarial valuations (valuation date), based on the actuarial methods and assumptions shown in Table 35.

Table 35

Actuarial Methods and Assumptions – Single-employer Plans

Valuation date:	June 30, 2013
Actuarial cost method:	Entry age normal
Actuarial assumptions:	
Discount rate	Judges' 4.25%, Judges' II 7.00%, Legislators' 5.75%
Inflation	All single-employer plans – 2.75%
Salary increases	All single-employer plans – 3.00%
Investment rate of return	Judges' 4.25%, Judges' II 7.00%, Legislators' 5.75%, net of pension plan investment and administrative expenses; includes inflation.
Mortality	Mortality rates are based on the 2014 CalPERS Experience Study adopted by the CalPERS Board and include 20 years of mortality improvements using Scale BB published by the Society of Actuaries.
Post-retirement benefit adjustments (COLAs)	Judges' – 3.00% Judges' II – 2.75% Legislators' – 2.75%

***Discount Rate*:** To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would differ from the actuarially assumed discount rate. For the single-employer plans, the following rates were used:

Judges' – 4.25%, reflecting the short-term nature of the assets. As the plan is insufficiently funded, CalPERS uses a discount rate of 4.25%, which falls within a reasonable range of yields on 20-year tax-exempt general obligation municipal bonds with an average rating of AA.

Judges' II – 7.00%

Legislators' – 5.75%

With the exception of Judges', which uses a lower rate of return, the information regarding the discount rate and the long-term expected real rate of return described previously for the PERF plans is also applicable to the single-employer plans. GAAP requires that the long-term discount rate should be determined without reduction for pension plan administrative expense. For Judges' II and Legislators', the discount rates are net of administrative expenses, resulting in a lower rate and, consequently, a slightly lower net pension asset for each plan.

Table 36 shows long-term expected geometric real rates of return by asset class for Judges' II and Legislators'.

Table 36

Long-term Expected Real Rate of Return by Asset Class – Judges' II and Legislators' Plans

Asset Class	Judges' II New Strategic Allocation	Legislators' New Strategic Allocation	Real Return Years 1 – 10 [1]	Real Return Years 11+ [2]
Global equity	50.0 %	24.0 %	5.25 %	5.71 %
Global fixed income	34.0	39.0	1.79	2.40
Treasury inflation protected securities	5.0	26.0	1.00	2.25
Commodities	3.0	3.0	1.66	4.95
Real estate	8.0	8.0	3.25	7.88
Total	**100.0 %**	**100.0 %**		

[1] An expected inflation rate of 2.5% used for this period.
[2] An expected inflation rate of 3.0% used for this period.

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***Changes in Net Pension Liability*:** Table 37 shows the changes in net pension liability recognized over the measurement period for the single-employer plans.

Table 37

Changes in Net Pension Liability – Single-employer Plans
(amounts in thousands)

	Judges'			Judges' II		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2013 (Valuation Date)	**$ 3,383,310**	**$ 53,820**	**$ 3,329,490**	**$ 837,198**	**$ 795,967**	**$ 41,231**
Changes recognized for the measurement period:						
Service cost	27,581	—	27,581	78,670	—	78,670
Interest on total pension liability	140,256	—	140,256	61,044	—	61,044
Employer contributions	—	191,148	(191,148)	—	57,027	(57,027)
Employee contributions	—	7,248 *	(7,248) *	—	20,413	(20,413)
Investment income	—	59	(59)	—	150,168	(150,168)
Benefit payments, including refunds	(193,935)	(193,935)	—	(8,950)	(8,950)	—
Administrative expense	—	(1,141)	1,141	—	(785)	785
Net changes	**(26,098)**	**3,379**	**(29,477)**	**130,764**	**217,873**	**(87,109)**
Balance at June 30, 2014 (Measurement Date)	**$ 3,357,212**	**$ 57,199**	**$ 3,300,013**	**$ 967,962**	**$ 1,013,840**	**$ (45,878)**

* Includes other income and other investment income.

	Legislators'			Total Single-employer Plans		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
$	**115,806**	**$ 122,148**	**$ (6,342)**	**$ 4,336,314**	**$ 971,935**	**$ 3,364,379**
	732	—	732	106,983	—	106,983
	6,465	—	6,465	207,765	—	207,765
	—	565	(565)	—	248,740	(248,740)
	—	113	(113)	—	27,774	(27,774)
	—	15,372	(15,372)	—	165,599	(165,599)
	(7,482)	(7,482)	—	(210,367)	(210,367)	—
	—	(362)	362	—	(2,288)	2,288
	(285)	**8,206**	**(8,491)**	**104,381**	**229,458**	**(125,077)**
$	**115,521**	**$ 130,354**	**$ (14,833)**	**$ 4,440,695**	**$ 1,201,393**	**$ 3,239,302**
				Reported in governmental activities		**$ 3,239,302**

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*:** Judges' net pension liability was calculated using a discount rate of 4.25%; Judges' II used 7%; and Legislators' used 5.75%. Table 38 shows the net pension liability for each single-employer plan, calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

Table 38

Net Pension Liability Sensitivity – Single-employer Plans
June 30, 2015
(amounts in thousands)

	Current Rate -1%	Current Rate	Current Rate +1%
Judges' (4.25%)	$ 3,690,642	$ 3,300,013	$ 2,972,824
Judges' II (7.0%)	86,070	(45,878)	(150,976)
Legislators' (5.75%)	(1,163)	(14,833)	(26,009)
Total Single-employer Plans	**$ 3,775,549**	**$ 3,239,302**	**$ 2,795,839**

***Pension Plans Fiduciary Net Position*:** Detailed information about the single-employer plans' fiduciary net position is available in the separately issued CalPERS financial report.

***Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions*:** For the single-employer plans, for the year ended June 30, 2015, the State recognized pension expense of $200 million. At June 30, 2015, the State reported deferred outflows of resources from contributions made by the State to the single-employer plans subsequent to the measurement date of June 30, 2014, but prior to the year ended June 30, 2015, which will be recognized as a reduction of the net pension liability in the subsequent year. Table 39 shows pension expense and sources of deferred outflows and deferred inflows of resources related to each single-employer plan.

Table 39

Pension Expense and Sources of Deferred Outflows and Deferred Inflows of Resources Related to Pensions – Single-employer Plans
June 30, 2015
(amounts in thousands)

	Judges'	Judges' II	Legislators'	Total
Pension expense	$ 158,900	$ 42,932	$ (1,381)	**$ 200,451**
Deferred outflows of resources due to employer contributions subsequent to the measurement date	3,598	59,982	544	**64,124**
Deferred outflows of resources related to net difference between projected and actual earnings on pension plan investments	2,771	—	—	**2,771**
Deferred inflows of resources related to net difference between projected and actual earnings on pension plan investments	—	(73,014)	(6,545)	**(79,559)**

Table 40 shows amounts reported as deferred outflows and deferred inflows of resources related to pensions that will be recognized in pension expense in future years for the single-employer plans. Increases to pension expense are shown as positive amounts and decreases to pension expense are shown as negative amounts.

Table 40

Recognition of Deferred Outflows and Deferred Inflows of Resources – Single-employer Plans
(amounts in thousands)

Year Ending June 30	Deferred Outflows of Resources	Deferred Inflows of Resources		
	Judges'	Judges' II	Legislators'	Total
2016	$ 693	$ (18,254)	$ (1,636)	$ **(19,197)**
2017	693	(18,254)	(1,636)	**(19,197)**
2018	693	(18,254)	(1,636)	**(19,197)**
2019	692	(18,253)	(1,637)	**(19,198)**

B. California State Teachers' Retirement System

The State reports a net pension liability, deferred outflows and deferred inflows of resources, and expenses as a result of its statutory requirement to contribute to the State Teachers' Retirement Fund as a non-employer contributing entity.

***Plan Description*:** CalSTRS administers the State Teachers' Retirement Fund, which is an employee benefit trust fund created to finance the State Teachers' Retirement Plan (STRP). The STRP is a cost-sharing multiple-employer defined benefit pension plan that provides retirement, disability, and survivor benefits to teachers and certain other employees of the California public school system. Four programs comprise the STRP: the Defined Benefit (DB) Program, the Defined Benefit Supplement (DBS) Program, the Cash Balance (CB) Benefit Program, and the Replacement Benefit (RB) Program. CalSTRS issues a publicly available financial report, which may be found on CalSTRS' website at www.CalSTRS.com.

***Benefits Provided*:** Membership in the DB Program is mandatory for all employees meeting the eligibility requirements. The DB Program provides benefits based on a member's age, final compensation, and years of service. Vesting occurs after five years. In addition, the retirement program provides benefits to members upon disability and to survivors upon the death of eligible members. The Teachers' Retirement Law establishes the benefits for the DB Program. The DB Program had 1,687 contributing employers, 420,887 active and 182,815 inactive program members, and 275,627 benefit recipients as of June 30, 2014. The payroll for employees covered by the DB Program for the year ended June 30, 2014, was approximately $27.1 billion.

Membership in the DBS Program is automatic for all members of the DB Program. The DBS Program provides benefits based on the amount of funds contributed. Vesting in the DBS Program occurs automatically with vesting in the DB Program. The Teachers' Retirement Law establishes the benefits for the DBS Program. The primary government does not contribute to the DBS Program.

***Contributions*:** The DB Program contribution rates for members and employers are 8.00% and 8.25% of creditable compensation, respectively. The General Fund contribution is 2.017% of total creditable compensation of the fiscal year ending in the prior calendar year. Education Code section 22955(b) states that the General Fund will contribute additional quarterly payments at a rate of 0.524% of creditable earnings of

the fiscal year ending in the immediately preceding calendar year when there is an unfunded actuarial obligation or a normal cost deficit. The percentage is adjusted up to 0.25% per year to reflect the contributions required to fund the unfunded actuarial obligation or the normal cost deficit. However, the transfer may not exceed 1.505% of creditable compensation of the immediately preceding calendar year. The normal cost deficit is the difference between the actuarially determined normal cost rate and the member and employer contributions. Based on CalSTRS' June 30, 2013 Defined Benefit Actuarial Valuation Report, which may be found on CalSTRS' website at http://www.CalSTRS.com/sites/main/files/file-attachments/2013_db_valuation_report.pdf, there is no normal cost deficit, but there is an unfunded obligation for benefits in place as of July 1, 1990.

Assembly Bill (AB) 1469, signed into law on June 24, 2014, was designed to address the long-term funding gap of the DB Program. It creates a plan to fully fund the DB Program by 2046 through increases in employer, state, and employee contributions. The portion of the state appropriation under Education Code section 22955(b) that is in addition to the 2.017% has been replaced by section 22955.1(b) in order to fully fund by 2046 the benefits in effect as of 1990. As a result of AB 1469, the State increased its contributions beginning in the fourth quarter of fiscal year 2013-14. The State contributed a total of $1.5 billion for fiscal year 2014-15.

The CB Benefit Program is designed for employees of California public schools who are hired to perform creditable service for less than 50% of the full-time equivalent for the position. Employer participation in the CB Benefit Program is optional. However, if the employer elects to offer the CB Benefit Program, then each eligible employee will automatically be covered by the CB Benefit Program, unless the member elects to participate in the DB Program or an alternative plan provided by the employer within 60 days of hire or the election period determined by the employer. At June 30, 2014, the CB Benefit Program had 32 contributing school districts and 35,066 contributing participants.

The RB Program is a qualified excess benefits arrangement for DB Program members that is administered through a separate pension trust apart from the other three STRP programs; it was established in accordance with Internal Revenue Code section 415(m). Internal Revenue Code section 415(b) imposes a dollar limit on the annual retirement benefits an individual may receive from a qualified defined benefit pension plan. The program is funded as needed. Monthly contributions that would otherwise be credited to the DB program are instead credited to the RB Program to fund monthly program costs. Monthly employer contributions are received and paid to members in amounts equal to the benefits not paid as a result of Internal Revenue Code section 415(b), subject to withholding for any applicable income or employment taxes. At June 30, 2014, 260 individuals were receiving benefits from the RB program.

***Actuarial Methods and Assumptions*:** The total pension liability in the June 30, 2013 actuarial valuation (valuation date) was determined using the actuarial methods and assumptions shown in Table 41, applied to the measurement period ended June 30, 2014.

Table 41

Actuarial Methods and Assumptions – CalSTRS

Valuation date	June 30, 2013
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Investment rate of return	7.60 %
Consumer price inflation	3.00 %
Projected wage growth	3.75 %
Post-retirement benefit increases (COLAs)	2.00 % simple

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries.

***Discount Rate*:** The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases created by AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant as an input to the process. Based on the model from CalSTRS' consulting actuary's investment practice, a best estimate range was determined by assuming that the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date on which current experience study was approved by the CalSTRS board.

Table 42 shows the assumed allocation and best estimates of 10-year geometric real rate of return for each major asset class.

Table 42

Long-term Expected Real Rate of Return by Asset Class – CalSTRS

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47 %	4.50 %
Private equity	12	6.20
Real estate	15	4.35
Inflation sensitive	5	3.20
Fixed income	20	0.20
Cash/liquidity	1	0.00
Total	**100 %**	

***Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions*:** CalSTRS' net pension liability was measured as of June 30, 2014 (measurement date) by applying update procedures and rolling forward the total pension liability determined by the actuarial valuation as of June 30, 2013 (valuation date). The State's proportion of the net pension liability was based on CalSTRS' calculated non-employer contributions to the pension plan relative to the total contributions of the State and all participating school districts. Per CalSTRS' revenue recognition policy, CalSTRS recognizes state contributions for the entire fiscal year at the beginning of each fiscal year. Contributions excluded from the proportionate share per CalSTRS' policy include employer contributions for retirement incentives, additional service credit, and unused sick leave. As of June 30, 2014, the State's proportionate share of the CalSTRS' net pension liability was 37.65%, or $22.0 billion; this amount is reported in the governmental activities column of the government-wide Statement of Net Position as of June 30, 2015.

As a result of its requirement to contribute to CalSTRS, the State recognized expense of $1.9 billion for the year ended June 30, 2015 and reported deferred outflows and deferred inflows of resources as shown in Table 43.

Table 43

Sources of Deferred Outflows and Deferred Inflows of Resources Related to Pensions – CalSTRS
June 30, 2015
(amounts in thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ —	$ 5,417,835
State contributions subsequent to the measurement date	1,486,004	—
Total	**$ 1,486,004**	**$ 5,417,835**

The $1.5 billion reported as deferred outflows of resources resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Table 44 shows amounts reported as deferred inflows of resources related to pensions that will be recognized in pension expense in futures years as a result of the State's requirement to contribute to CalSTRS. Increases to pension expense are shown as positive amounts and decreases to pension expense are shown as negative amounts.

Table 44

Recognition of Deferred Inflows of Resources – CalSTRS
(amounts in thousands)

Year Ending June 30	Amount
2016	$ (1,354,459)
2017	(1,354,459)
2018	(1,354,459)
2019	(1,354,458)

***Sensitivity of the State's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*:** Table 45 shows the State's proportionate share of the net pension liability calculated using the discount rate of 7.60%, as well as what the State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current rate.

Table 45

Net Pension Liability Sensitivity – CalSTRS
June 30, 2015
(amounts in thousands)

	Current Rate –1%	Current Rate 7.60%	Current Rate +1%
State's proportionate share of net pension liability	$ 34,294,632	$ 22,001,531	$ 11,751,318

***Pension Plan Fiduciary Net Position*:** Detailed information about CalSTRS' pension plans' fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 25: POSTEMPLOYMENT HEALTH CARE BENEFITS

***State of California Other Postemployment Benefits (OPEB) Plan Description*:** The primary government provides health benefits (medical and prescription drug benefits) and dental benefits to annuitants of retirement systems through a substantive single-employer defined benefit plan to which the primary government contributes as an employer (State substantive plan). The primary government also offers life insurance, long-term care, and vision benefits to retirees; however, because these benefits are completely paid for by the retirees, the primary government has no liability. The design of health and dental benefit plans can be amended by the California Public Employees' Retirement System (CalPERS) Board of Administration and the California Department of Human Resources (CalHR), respectively. Employer and retiree contributions are governed by the primary government and can be amended by the primary government through the Legislature. The State contributes to the California Employers' Retiree Benefit Trust Fund (CERBTF). The CERBTF is a self-funded trust fund for the prefunding of health, dental, and other non-pension benefits. CalPERS reports on the CERBTF as part of its separately issued annual financial statements, which can be obtained from CalPERS on its website at www.CalPERS.ca.gov.

Fifty-eight county superior courts (trial courts) are included in the primary government. However, each trial court is a separate employer for GASB Statement No. 45 reporting purposes. Fifty trial courts have a single-employer defined benefit plan; these plans have separate biennial actuarial valuations. One trial court (San Diego) has a cost-sharing multiple-employer defined benefit plan. Seven trial courts (Alameda, Del Norte, Fresno, Mendocino, Modoc, San Benito, and Stanislaus) have no plan. Twenty-one plans are not accounted for in a trust fund and do not issue separate reports.

To be eligible for these benefits, primary government first-tier plan annuitants must retire on or after age 50 with at least five years of service, and second-tier plan annuitants must retire on or after age 55 with at least 10 years of service. In addition, annuitants must retire within 120 days of separation from employment to be eligible to receive these benefits. During the 2014-15 fiscal year, approximately 177,870 annuitants were enrolled to receive health benefits and approximately 144,660 annuitants were enrolled to receive dental benefits. As of July 1, 2013, the most recent actuarial valuation date, the trial courts had approximately 4,200 enrolled retirees and spouses.

***Funding Policy*:** The contribution requirements of plan members and the State are established and may be amended by the Legislature. In accordance with the California Government Code, the State generally pays 100% of the health insurance premium cost for annuitants, plus 90% of the additional premium required for the enrollment of family members of annuitants. The State generally pays all or a portion of the dental insurance premium cost for annuitants, depending upon the completed years of credited state service at retirement and the dental coverage selected by the annuitant, as specified in the California Government Code. The State funds the cost of providing health and dental insurance to annuitants primarily on a pay-as-you-go basis, with a modest amount of prefunding for members of Bargaining Units 5, 12, and 16. The maximum 2015 monthly State contribution was $655 for one-party coverage, $1,246 for two-party coverage, and $1,605 for family coverage.

Each of the trial courts determines its respective retirees' benefits and benefit levels as well as the funding policy for its respective plan. Twenty-one trial courts fund retirees' benefits on a strictly pay-as-you-go basis. The fiscal year 2014-15 monthly contribution rate for the trial courts with single-employer defined benefit plans, the latest year for which contribution information is available, ranged from $0 to $1,059,640, with the average being $84,523. One trial court (Yolo) continuously contributes at least the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. Sonoma and Marin are on a pay-as-you-go plus 50% of direct-subsidy benefits

funding policy (after initial contribution) until their plans are fully funded. Orange contributed the larger of the ARC, or 3.5% of payroll, with at least the ARC contributed for 2014, with no commitment to future contributions. San Diego, a cost-sharing multiple-employer defined benefit plan, had a contribution rate of 1.94% of annual covered pension payroll. Seventeen other trial courts made contributions only in 2014, with five other trial courts contributing in other years (Placer in 2013 and 2014; San Mateo in 2013, 2014, and 2015; Nevada in 2012 and 2013; Santa Cruz in 2013; and Butte in 2014 and prior years, which fully funded the plan), but none of these 22 trial courts are committing to future trust contributions. Lassen is fully funded with no future contributions expected, Imperial has committed to $20,000 per year for future contributions, and Santa Clara funding policy is set by the County and will increase to 70% of the ARC long term. For the year ended June 30, 2015, the State contributed $2.0 billion toward annuitants' health and dental benefits. Of this amount, the trial courts represent $52 million and certain discretely presented component units represent $4 million.

***Annual OPEB Cost and Net OPEB Obligation*:** The State's annual OPEB cost (expense) is calculated based on the ARC. Table 46 presents the State's OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2015, and the two preceding years, including trial courts.

Table 46

Schedule of Annual OPEB Cost, Percentage of Annual OPEB Cost Contributed and Net OPEB Obligation
(amounts in thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	$ 4,992,924	35.33 %	$ 16,267,964
June 30, 2014	5,129,284	37.20	19,489,030
June 30, 2015	5,156,787	39.33	22,617,653

Table 47 presents the components of the State's net OPEB obligation to the OPEB plan, including trial courts.

Table 47

Schedule of Net OPEB Obligation
June 30, 2015
(amounts in thousands)

	Amount
Annual required contribution	$ 5,100,227
Interest on net OPEB obligation	833,117
Adjustment to annual required contribution	(776,557)
Annual OPEB cost	**5,156,787**
Contributions made	(2,028,164)
Increase in net OPEB obligation	**3,128,623**
Net OPEB obligation – beginning of year	**19,489,030**
Net OPEB obligation – end of year	**$ 22,617,653**

***Funded Status and Funding Progress*:** As of June 30, 2015—the most recent actuarial valuation date for the State substantive plan—the actuarial accrued liability (AAL) for benefits was $74.2 billion, and the actuarial value of assets was $86 million, resulting in an unfunded actuarial accrued liability (UAAL) of $74.1 billion. The covered payroll (annual payroll of active employees covered by the plan) was $20.2 billion, and the ratio of the UAAL to the covered payroll was 367%.

For the trial courts, as of July 1, 2013—the most recent actuarial valuation date—the AAL for benefits was $1.4 billion and the actuarial value of assets was $30 million, resulting in an UAAL of $1.4 billion. The covered payroll was $931 million and the ratio of the UAAL to covered payroll was 149%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality and the healthcare cost trend. Amounts determined regarding the plan's funded status and the employer's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

***Actuarial Methods and Assumptions*:** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are consistent with a long-term perspective.

In the June 30, 2015 State substantive plan actuarial valuation, the individual entry age normal cost method was used. The actuarial assumptions included a 4.25% investment rate of return and an annual health care cost trend rate of actual increases for 2016 and 8.00% in 2017 initially, reduced to an ultimate rate of 4.50% in 2022. Both rates included a 2.75% annual inflation assumption. Annual wage inflation is assumed to be 3.00%. The UAAL is being amortized as a level percentage of active member payroll on an open basis over 30 years.

In the July 1, 2013 biennial actuarial valuations, the entry age normal cost method was used for 50 of the trial courts. The actuarial assumptions included a 3.75% investment rate of return for 40 trial courts. There are 10 other trial courts with investment rates of return ranging from 4.75% to 7.50%. The actuarial assumptions included an annual health care cost trend rate of 8.25% for most trial courts initially, reduced incrementally to an ultimate trend rate of 5.00% after five years. Annual inflation and payroll growth are assumed to be 2.75% and 3.00%, respectively, for most trial courts. The UAAL is amortized on an open basis over 30 years as a level percentage of payroll for 46 trial courts. Three other trial courts (Lassen, Orange, and Yolo) amortize on a closed basis as a level percentage of payroll over 29, 24, and 25 years, respectively. Alpine is amortizing using the level dollar amount over 24 years on a closed basis.

NOTE 26: SUBSEQUENT EVENTS

The following information describes significant events that occurred subsequent to June 30, 2015, but prior to the date of the auditor's report.

A. Debt Issuances

In August 2015, the California State University issued $1.1 billion in revenue bonds to refund certain maturities of Systemwide Revenue Bonds series 2005A, 2005B, 2005C, and 2007A; repay bond anticipation

notes; refund other outstanding bond indebtedness by auxiliary organizations; fund new capital projects; and pay related issuance costs.

In September 2015, the Department of Water Resources issued $109 million in water system revenue bonds to redeem certain outstanding commercial paper notes, to fund deposits to the debt service reserve account, to fund capitalized interest, and to pay related issuance costs.

In September and November 2015, the primary government issued $1.9 billion and $972 million, respectively, in general obligation bonds to finance or refinance capital facilities or other voter-approved costs for public purposes, including parks, clean water and clean air; reading and literacy improvement and public libraries; safe drinking water; children's hospitals; earthquake safety and public building rehabilitation; public primary, secondary, community college and university education facilities; highway safety, traffic reduction, air quality, and port security; transportation; safe and clean drinking water; clean water, watershed protection and flood protection; water security, water quality, water supply and river, coastal and beach protection; water conservation; seismic retrofit; wildlife, coastal and parkland conservation; veterans' homes; medical research; and housing and emergency shelter.

In October 2015, the primary government issued $446 million in veterans' general obligation bonds to finance or refinance obligations that were issued to finance contracts for the purchase of homes and farms for military veterans who reside in California.

In October 2015 and November 2015, the State Public Works Board issued a combined total of $772 million in lease revenue bonds to refund and defease outstanding lease revenue bond series 2002A, 2002C, 2003D, 2005A, 2005B, and 2005K; finance and refinance the cost of design and/or construction of various projects for the benefit of the Department of Corrections and Rehabilitation; and pay related issuance costs.

In November 2015, two of the State's building authorities issued $163 million in lease revenue bonds to refinance all of their outstanding bonds for two state office buildings, to fund a debt service reserve account, and to pay related issuance costs.

B. Other

In July 2015, Standard and Poor's Rating Services raised the State's general obligation rating to "AA-" from "A+", citing the enactment of the State's fiscal year 2015-2016 budget, marking improved fiscal sustainability.

In July 2015, the Electric Power Fund received $23 million in energy settlements to resolve claims arising from events and transactions in Western Energy Markets during the period of January 1, 2000, through June 20, 2001.

In August 2015, the primary government defeased the remaining $930 million outstanding balance of the Economic Recovery Bonds by placing $988 million into a special irrevocable escrow trust account with the State Treasury to provide for all future debt service payments on the defeased bonds. The bonds will be fully redeemed in 2018.

California's demand for unemployment insurance benefits required the State to continue borrowing from the U.S. Department of Labor during the 2015-16 fiscal year. As of June 30, 2015, the State had $5.7 billion in outstanding loans with the U.S. Department of Labor which were used to cover deficits in the Unemployment Programs Fund. As of March 11, 2016, the State had an outstanding loan balance of $6.7 billion. While the State continued to request additional loans during 2016, it estimates that these loans will be fully repaid in 2018.

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Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

For the Past Fiscal Year [1]

(amounts in thousands)

	2014 [3]
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS	
STATE MISCELLANEOUS [2]	
Total pension liability	
Service cost	$ 1,477,762
Interest	6,670,928
Benefit payments, including refunds of employee contributions	(4,844,631)
Net change in total pension liability	3,304,059
Total pension liability – beginning	**88,885,115**
Total pension liability – ending (a)	**$ 92,189,174**
Plan fiduciary net position	
Contributions – employer	2,156,312
Contributions – employee	766,896
Net investment income	10,370,838
Benefit payments, including refunds of employee contributions	(4,844,631)
Administrative expense	(86,473)
Net change in plan fiduciary net position	8,362,942
Plan fiduciary net position – beginning	**60,017,620**
Plan fiduciary net position – ending (b)	**$ 68,380,562**
State's net pension liability – ending (a) – (b)	**$ 23,808,612**
Plan fiduciary net position as a percentage of the total pension liability	74.17%
Covered-employee payroll	$ 10,019,739
State's net pension liability as a percentage of covered-employee payroll	237.62%

(continued)

[1] This schedule will be built prospectively until it contains ten years of data.

[2] This schedule includes amounts attributable to fiduciary funds, related organizations, and discretely presented component units, which are not part of the primary government.

[3] The date in the column heading represents the end of the measurement period of the net pension liability, which is one year prior to the reporting period.

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Fiscal Year [1]
(amounts in thousands)

	2014 [3]
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS	
STATE INDUSTRIAL [2]	
Total pension liability	
Service cost	$ 92,324
Interest	241,278
Benefit payments, including refunds of employee contributions	(146,977)
Net change in total pension liability	186,625
Total pension liability – beginning	**3,181,282**
Total pension liability – ending (a)	**$ 3,367,907**
Plan fiduciary net position	
Contributions – employer	88,516
Contributions – employee	44,459
Net investment income	423,076
Benefit payments, including refunds of employee contributions	(146,977)
Administrative expense	(3,583)
Net change in plan fiduciary net position	405,491
Plan fiduciary net position – beginning	**2,420,958**
Plan fiduciary net position – ending (b)	**$ 2,826,449**
State's net pension liability – ending (a) – (b)	**$ 541,458**
Plan fiduciary net position as a percentage of the total pension liability	83.92%
Covered-employee payroll	$ 532,490
State's net pension liability as a percentage of covered-employee payroll	101.68%

(continued)

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Fiscal Year [1]
(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

STATE SAFETY [2]

	2014 [3]
Total pension liability	
Service cost	$ 402,902
Interest	663,219
Benefit payments, including refunds of employee contributions	(429,353)
Net change in total pension liability	636,768
Total pension liability – beginning	**8,682,750**
Total pension liability – ending (a)	**$ 9,319,518**
Plan fiduciary net position	
Contributions – employer	339,232
Contributions – employee	196,148
Net investment income	1,162,050
Benefit payments, including refunds of employee contributions	(429,353)
Administrative expense	(9,945)
Net change in plan fiduciary net position	1,258,132
Plan fiduciary net position – beginning	**6,583,260**
Plan fiduciary net position – ending (b)	**$ 7,841,392**
State's net pension liability – ending (a) – (b)	**$ 1,478,126**
Plan fiduciary net position as a percentage of the total pension liability	84.14%
Covered-employee payroll	$ 1,901,235
State's net pension liability as a percentage of covered-employee payroll	77.75%

(continued)

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Fiscal Year [1]
(amounts in thousands)

	2014 [3]
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS	
STATE PEACE OFFICERS AND FIREFIGHTERS [2]	
Total pension liability	
Service cost	$ 816,836
Interest	2,622,406
Benefit payments, including refunds of employee contributions	(1,568,738)
Net change in total pension liability	1,870,504
Total pension liability – beginning	**34,655,771**
Total pension liability – ending (a)	**$ 36,526,275**
Plan fiduciary net position	
Contributions – employer	959,741
Contributions – employee	331,956
Net investment income	3,964,754
Benefit payments, including refunds of employee contributions	(1,568,738)
Administrative expense	(33,334)
Net change in plan fiduciary net position	3,654,379
Plan fiduciary net position – beginning	**22,713,610**
Plan fiduciary net position – ending (b)	**$ 26,367,989**
State's net pension liability – ending (a) – (b)	**$ 10,158,286**
Plan fiduciary net position as a percentage of the total pension liability	72.19%
Covered-employee payroll	$ 3,030,525
State's net pension liability as a percentage of covered-employee payroll	335.20%

(continued)

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Fiscal Year [1]
(amounts in thousands)

	2014 [3]
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS	
CALIFORNIA HIGHWAY PATROL	
Total pension liability	
Service cost	$ 191,730
Interest	724,474
Benefit payments, including refunds of employee contributions	(460,991)
Net change in total pension liability	455,213
Total pension liability – beginning	**9,604,872**
Total pension liability – ending (a)	**$ 10,060,085**
Plan fiduciary net position	
Contributions – employer	277,702
Contributions – employee	83,161
Net investment income	1,005,007
Benefit payments, including refunds of employee contributions	(460,991)
Administrative expense	(8,417)
Net change in plan fiduciary net position	896,462
Plan fiduciary net position – beginning	**5,759,985**
Plan fiduciary net position – ending (b)	**$ 6,656,447**
State's net pension liability – ending (a) – (b)	**$ 3,403,638**
Plan fiduciary net position as a percentage of the total pension liability	66.17%
Covered-employee payroll	$ 765,283
State's net pension liability as a percentage of covered-employee payroll	444.76%

(continued)

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Fiscal Year [1]
(amounts in thousands)

	2014 [3]
SINGLE-EMPLOYER PLANS	
JUDGES'	
Total pension liability	
Service cost	$ 27,581
Interest	140,256
Benefit payments, including refunds of employee contributions	(193,935)
Net change in total pension liability	(26,098)
Total pension liability – beginning	**3,383,310**
Total pension liability – ending (a)	**$ 3,357,212**
Plan fiduciary net position	
Contributions – employer	191,148
Contributions – employee	7,248
Net investment income	59
Benefit payments, including refunds of employee contributions	(193,935)
Administrative expense	(1,141)
Net change in plan fiduciary net position	3,379
Plan fiduciary net position – beginning	**53,820**
Plan fiduciary net position – ending (b)	**$ 57,199**
State's net pension liability – ending (a) – (b)	**$ 3,300,013**
Plan fiduciary net position as a percentage of the total pension liability	1.70%
Covered-employee payroll	$ 163,574
State's net pension liability as a percentage of covered-employee payroll	2017.44%

(continued)

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Fiscal Year [1]

(amounts in thousands)

SINGLE-EMPLOYER PLANS

JUDGES' II

	2014 [3]
Total pension liability	
Service cost	$ 78,670
Interest	61,044
Benefit payments, including refunds of employee contributions	(8,950)
Net change in total pension liability	130,764
Total pension liability – beginning	**837,198**
Total pension liability – ending (a)	**$ 967,962**
Plan fiduciary net position	
Contributions – employer	57,027
Contributions – employee	20,413
Net investment income	150,168
Benefit payments, including refunds of employee contributions	(8,950)
Administrative expense	(785)
Net change in plan fiduciary net position	217,873
Plan fiduciary net position – beginning	**795,967**
Plan fiduciary net position – ending (b)	**$ 1,013,840**
State's net pension liability/(asset) – ending (a) – (b)	**$ (45,878)**
Plan fiduciary net position as a percentage of the total pension liability	104.74%
Covered-employee payroll	$ 40,476
State's net pension liability/(asset) as a percentage of covered-employee payroll	-113.35%

(continued)

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Fiscal Year [1]
(amounts in thousands)

SINGLE-EMPLOYER PLANS

	2014 [3]
LEGISLATORS'	
Total pension liability	
Service cost	$ 732
Interest	6,465
Benefit payments, including refunds of employee contributions	(7,482)
Net change in total pension liability	(285)
Total pension liability – beginning	**115,806**
Total pension liability – ending (a)	**$ 115,521**
Plan fiduciary net position	
Contributions – employer	565
Contributions – employee	113
Net investment income	15,372
Benefit payments, including refunds of employee contributions	(7,482)
Administrative expense	(362)
Net change in plan fiduciary net position	8,206
Plan fiduciary net position – beginning	**122,148**
Plan fiduciary net position – ending (b)	**$ 130,354**
State's net pension liability/(asset) – ending (a) – (b)	**$ (14,833)**
Plan fiduciary net position as a percentage of the total pension liability	112.84%
Covered-employee payroll	$ 1,471
State's net pension liability as a percentage of covered-employee payroll	-1008.36%

(concluded)

Schedule of State Pension Contributions

For the Past Fiscal Year [1]

(amounts in thousands)

	2015
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS	
STATE MISCELLANEOUS [2]	
Actuarially determined contribution	$ 2,421,157
Contributions in relation to the actuarially determined contribution	(2,583,400)
Contribution deficiency (excess)	$ (162,243)
Covered-employee payroll	$ 10,655,117
Contributions as a percentage of covered-employee payroll	24.25%
STATE INDUSTRIAL [2]	
Actuarially determined contribution	$ 92,024
Contributions in relation to the actuarially determined contribution	(104,769)
Contribution deficiency (excess)	$ (12,745)
Covered-employee payroll	$ 577,713
Contributions as a percentage of covered-employee payroll	18.14%
STATE SAFETY [2]	
Actuarially determined contribution	$ 341,509
Contributions in relation to the actuarially determined contribution	(387,508)
Contribution deficiency (excess)	$ (45,999)
Covered-employee payroll	$ 2,003,716
Contributions as a percentage of covered-employee payroll	19.34%
STATE PEACE OFFICERS AND FIREFIGHTERS [2]	
Actuarially determined contribution	$ 1,086,102
Contributions in relation to the actuarially determined contribution	(1,148,597)
Contribution deficiency (excess)	$ (62,495)
Covered-employee payroll	$ 3,115,364
Contributions as a percentage of covered-employee payroll	36.87%

(continued)

[1] This schedule will be built prospectively until it contains ten years of data.

[2] This schedule includes amounts attributable to fiduciary funds, related organizations, and discretely presented component units, which are not part of the primary government.

Schedule of State Pension Contributions (continued)

For the Past Fiscal Year [1]
(amounts in thousands)

	2015
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS	
CALIFORNIA HIGHWAY PATROL	
Actuarially determined contribution	$ 323,393
Contributions in relation to the actuarially determined contribution	(352,139)
Contribution deficiency (excess)	$ (28,746)
Covered-employee payroll	$ 809,610
Contributions as a percentage of covered-employee payroll	43.49%
SINGLE-EMPLOYER PLANS	
JUDGES'	
Actuarially determined contribution	$ 1,884,555
Contributions in relation to the actuarially determined contribution	(3,598)
Contribution deficiency (excess)	$ 1,880,957
Covered-employee payroll	$ 167,542
Contributions as a percentage of covered-employee payroll	2.15%
JUDGES' II	
Actuarially determined contribution	$ 63,193
Contributions in relation to the actuarially determined contribution	(59,982)
Contribution deficiency (excess)	$ 3,211
Covered-employee payroll	$ 41,458
Contributions as a percentage of covered-employee payroll	144.68%
LEGISLATORS'	
Actuarially determined contribution	$ 260
Contributions in relation to the actuarially determined contribution	(544)
Contribution deficiency (excess)	$ (284)
Covered-employee payroll	$ 1,397
Contributions as a percentage of covered-employee payroll	38.94%

(continued)

Schedule of State Pension Contributions (continued)

For the Past Fiscal Year [1]

(amounts in thousands)

Notes to Required Supplementary Information

Public Employees' Retirement Fund (PERF) and Single-Employer Plans

Actual contribution amounts:	Based on statutorily required contributions as outlined in California Government Code section 20683.2, which dictates that any excess employer contributions due to increased employee contributions must be allocated to the unfunded liability.
Covered-employee payroll:	Pensionable earnings provided by the employer
Valuation date:	Actuarially determined contribution rates were calculated as of June 30, 2013.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	See each plan's June 30, 2013 Actuarial Valuation Report.
Asset valuation method	Actuarial value of assets; for details see each plan's June 30, 2013 Actuarial Valuation Report.
Inflation	2.75%
Salary increases	PERF – varies by entry age and service Judges' – not applicable Judges' II – 3.00% Legislators' – 3.00%
Payroll growth	3.00%
Investment rate of return	Net of pension plan investment expenses and administrative expenses; includes inflation: PERF – 7.50%, which is used for contribution purposes Judges' – 4.25% Judges' II – 7.00% Legislators' – 5.75%
Retirement age	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	Mortality rates are based on the 2014 CalPERS Experience Study adopted by the CalPERS Board and post-retirement mortality rates include 20 years of projected on-going mortality improvements using Scale BB published by the Society of Actuaries.

Schedule of the State's Proportionate Share of Net Pension Liability – CalSTRS

For the Past Fiscal Year [1]

(amounts in thousands)

	2014 [2]
State's proportion of CalSTRS' net pension liability	37.65%
State's proportionate share of CalSTRS' net pension liability	$ 22,001,531
Plan fiduciary net position as a percentage of the total pension liability	76.52%

[1] This schedule will be built prospectively until it contains ten years of data.

[2] The date in the column heading represents the end of the measurement period of the net pension liability, which is one year prior to the reporting period.

Schedule of the State's Contributions – CalSTRS

For the Past Fiscal Year [1]

(amounts in thousands)

	2015
Statutorily required contribution	$ 1,486,004
Contributions in relation to the statutorily required contribution	1,486,004
Annual contribution deficiency/(excess)	$ —

[1] This schedule will be built prospectively until it contains ten years of data.

Notes to Required Supplementary Information

State's Participation in CalSTRS

Actual contribution amounts:	Based on statutorily required contributions as outlined in California Education Code sections 22954 and 22955, as well as California Public Resources Code section 6217
Changes in benefit terms:	The California Pension Employees' Pension Reform Act of 2013 resulted in a new benefit formula, CalSTRS 2% at 62, for members first hired on or after January 1, 2013. Significant changes from the previous CalSTRS 2% at 60 benefit formula include raising the normal retirement age from 60 to 62 and placing a limit on creditable compensation to 120% of the Social Security wage base, annually adjusted for changes in the Consumer Price Index.
Valuation date:	Actuarially determined contribution rates were calculated as of June 30, 2013.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method/period	Level percent of payroll, open period, 30 years remaining amortization period
Asset valuation method	Expected value with 33% adjustment to market value
Consumer price inflation	3.00%
Payroll growth	3.75%
Investment rate of return	For calculating the actuarially determined contribution: 7.50%, net of pension plan investment and administrative expenses For calculating total pension liability: 7.60%, net of pension plan investment expenses, but gross of administrative expenses
Interest on accounts	4.50%
Post-retirement benefit increases (COLAs)	2.00% simple

Schedule of Funding Progress

(amounts in millions)

Other Postemployment Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
State substantive plan						
June 30, 2013	$ 10	$ 64,585	$ 64,574	0.0 %	$ 18,060	357.6 %
June 30, 2014	41	71,814	71,773	0.0	19,250	372.8
June 30, 2015	86	74,189	74,103	0.1	20,180	367.2
Trial Courts [1]						
July 1, 2009	$ 9	$ 1,493	$ 1,484	0.6 %	$ 1,009	147.0 %
July 1, 2011	17	1,385	1,368	1.2	922	148.4
July 1, 2013	30	1,421	1,391	2.1	931	149.4

[1] The trial courts reporting is based on 51 individual biennial actuarial valuations as of July 1, 2013.

Note: The University of California provides OPEB benefits through its Retirement Health Plan to its eligible retirees and their families. As the University is the employer providing these benefits, the State will not be reporting these benefits in Note 25 or the Required Supplementary Information. Information regarding the University and references to its financial statements can be found in Note 1, Section A.3., Discretely Presented Component Units.

Infrastructure Assets Using the Modified Approach

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 34, the State uses the modified approach to report the cost of its infrastructure assets (state roadways and bridges). Under the modified approach, the State does not report depreciation expense for roads and bridges but capitalizes all costs that add to the capacity and efficiency of State-owned roads and bridges. All maintenance and preservation costs are expensed and not capitalized.

A. Infrastructure Asset Reporting Categories

The infrastructure assets reported in the State's financial statements for the fiscal year ending June 30, 2015, are in the following categories and amounts: state highway infrastructure (completed highway projects) totaling $70.7 billion, land purchased for highway projects totaling $14.1 billion, and infrastructure construction-in-progress (uncompleted highway projects) totaling $11.7 billion.

Donation and Relinquishment: Donation and relinquishment activity affects the inventory of statewide lane miles, land, and/or bridges as adjustments to the infrastructure assets and/or land balance in the State's financial statements. For the fiscal year ending June 30, 2015, there were no donations of infrastructure, and relinquishments are $3.5 million of state highway infrastructure (completed highway projects) and $707,000 of infrastructure land.

B. Condition Baselines and Assessments

1. Bridges

The State uses the Bridge Health Index (BHI)—a numerical rating scale from 0 to 100 that uses element-level inspection data—to determine the aggregate condition of its bridges. The inspection data is based on the American Association of State Highway and Transportation Officials' "Guide Manual for Bridge Element Inspection."

The BHI represents the remaining asset value of the bridge. A new bridge that has 100% of its asset value has a BHI of 100. As a bridge deteriorates, it loses asset value, as represented by a decline in its BHI. When a bridge is repaired, it will regain some (or all) of its asset value and its BHI will increase.

The following table shows the State's established condition baseline and actual BHI for fiscal years 2012-13 through 2014-15:

Fiscal Year Ended June 30	Established BHI Baseline [1]	Actual BHI
2013	80.0	94.8
2014	80.0	95.6
2015	80.0	95.7

[1] The actual statewide BHI should not be lower than the minimum BHI established by the State.

The following table provides details on the State's actual BHI as of June 30, 2015:

BHI Description	Bridge Count	Percent	Network BHI
Excellent	6,224	47.08 %	99.9
Good	4,984	37.71	96.9
Acceptable	768	5.81	85.9
Fair	678	5.13	74.4
Poor	236	1.79	58.6
Does not carry traffic	328	2.48	88.4
Total	**13,218**	**100.00 %**	

Note: Effective July 2014, Caltrans changed standards for the BHI calculation from AASHTO's "Commonly Recognized Elements for Bridge Inspection" to AASHTO's "Guide Manual for Bridge Element Inspection." Adoption of the new standards resulted in minor changes to the measurements.

2. Roadways

The State conducts a periodic pavement-condition survey, which evaluates ride quality and structural integrity and identifies the number of distressed lane miles. The State classifies a roadway's pavement condition by the following descriptions:

1. Excellent/good condition – few potholes or cracks
2. Fair condition – moderate number of potholes or cracks
3. Poor condition – significant or extensive number of potholes or cracks

Statewide lane miles are considered "distressed lane miles" if they are in poor condition. The actual distressed lane miles are compared to the established condition baseline to ensure that the baseline is not exceeded.

The following table shows the State's established condition baseline and actual distressed lane miles from the last three completed pavement-condition surveys:

Condition Assessment Date [1]	Established Condition Baseline Distressed Lane Miles (maximum) [2]	Actual Distressed Lane Miles	Actual Distressed Lane Miles as Percent of Total Lane Miles
March 2008	18,000	12,998	26.2 %
December 2011 [3]	18,000	12,333	24.9
December 2013	18,000	7,820	15.7

[1] Condition assessment for the State's established condition baseline and actual distressed lane miles is being reported as of the *State of the Pavement* report publication date.

[2] The actual statewide distressed lane miles should not exceed the maximum distressed lane miles established by the State.

[3] The State's compliance with GASB 34, which requires a road condition assessment every three years, temporarily lapsed in March 2011.

The following table provides details on the State's actual distressed lane miles as of the last completed pavement-condition survey:

Pavement Condition [1]	Lane Miles	Distressed Lane Miles
Excellent/Good	29,534	—
Fair	12,364	—
Poor	7,820	7,820
Total	**49,718**	**7,820**

[1] Pavement condition categorization in the most recent *State of the Pavement* report has been altered. Previously, distressed lane miles were categorized as "fair" or "poor" conditions. Currently, all distressed lane miles are characterized as "poor" condition. The total number of distressed lane miles is unchanged.

C. Budgeted and Actual Preservation Costs

The estimated budgeted preservation costs represent the preservation projects approved by the California Transportation Commission and the State's scheduled preservation work for each fiscal year. The actual preservation costs represent the cumulative cost to date for the projects approved and work scheduled in each fiscal year.

The State's budgeted and actual preservation cost information for the most recent and four previous fiscal years is shown in the following table:

Fiscal Year Ended June 30	Estimated Budgeted Preservation Costs (in millions)[1]	Actual Preservation Costs (in millions)[1]
2011	$ 3,209	$ 3,170
2012	3,325	3,042
2013	2,858	2,531
2014	2,421	2,104
2015	3,337	1,685

[1] In fiscal year 2014-15, the methodology for identifying the preservation budgeted and actual costs was adjusted to include additional costs not previously reported.

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Budgetary Comparison Schedule

General Fund and Major Special Revenue Funds

Year Ended June 30, 2015

(amounts in thousands)

	General			
	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
REVENUES				
Corporation tax	$ 9,617,712	$ 9,809,000	$ 9,908,607	$ 99,607
Intergovernmental	—	—	—	—
Cigarette and tobacco taxes	84,343	84,000	86,317	2,317
Inheritance, estate, and gift taxes	—	—	—	—
Insurance gross premiums tax	2,490,301	2,486,000	2,444,573	(41,427)
Vehicle license fees	758	758	21,449	20,691
Motor vehicle fuel tax	—	—	—	—
Personal income tax	71,698,570	75,384,000	76,862,208	1,478,208
Retail sales and use taxes	23,438,344	23,684,000	23,667,703	(16,297)
Other major taxes and licenses	366,901	353,000	358,509	5,509
Other revenues	1,953,374	1,555,242	1,635,566	80,324
Total revenues	**109,650,303**	**113,356,000**	**114,984,932**	**1,628,932**
EXPENDITURES				
State and consumer services	15,269	17,004	15,872	(1,132)
Business and transportation	8,659	92,189	92,171	(18)
Resources	1,151,572	1,638,355	1,480,892	(157,463)
Health and human services	29,001,967	30,448,933	29,491,187	(957,746)
Correctional programs	9,384,760	9,913,264	9,786,848	(126,416)
Education	50,061,331	61,654,357	61,572,526	(81,831)
General government:				
Tax relief	416,755	427,382	416,756	(10,626)
Debt service	5,143,758	5,163,514	5,149,628	(13,886)
Other general government	6,292,542	7,579,811	7,134,691	(445,120)
Total expenditures	**101,476,613**	**116,934,809**	**115,140,571**	**(1,794,238)**
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	—	—	420,981	—
Transfers to other funds	—	—	(2,656,548)	—
Other additions and deductions	—	—	441,107	—
Total other financing sources (uses)	**—**	**—**	**(1,794,460)**	**—**
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	—	—	(1,950,099)	—
Fund balances – beginning	—	—	**8,409,889**	—
Fund balances – ending	**$ —**	**$ —**	**$ 6,459,790**	**$ —**

Federal				Transportation			
Budgeted Amounts		Actual	Variance With	Budgeted Amounts		Actual	Variance With
Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
77,131,605	77,131,605	77,131,605	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	5,544,107	5,679,036	5,713,698	34,662
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	3,995,374	4,030,508	4,041,791	11,283
27	27	27	—	460,574	449,899	383,635	(66,264)
77,131,632	**77,131,632**	**77,131,632**	**—**	**10,000,055**	**10,159,443**	**10,139,124**	**(20,319)**
5,605	5,605	5,605	—	116,239	116,239	107,328	(8,911)
3,334,568	3,334,568	3,334,568	—	9,993,707	10,016,595	9,238,172	(778,423)
343,035	343,035	343,035	—	178,274	178,274	177,729	(545)
62,608,991	62,608,991	62,608,991	—	3,624	3,624	2,716	(908)
56,625	56,625	56,625	—	—	—	—	—
7,058,766	7,058,766	7,058,766	—	2,695	2,695	2,443	(252)
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	1,798	2,414	1,440	(974)
853,813	853,813	853,813	—	1,568,016	1,568,015	1,474,412	(93,603)
74,261,403	**74,261,403**	**74,261,403**	**—**	**11,864,353**	**11,887,856**	**11,004,240**	**(883,616)**
—	—	5,765,678	—	—	—	18,018,462	—
—	—	(8,628,600)	—	—	—	(18,390,483)	—
—	—	(9,452)	—	—	—	(390,058)	—
—	**—**	**(2,872,374)**	**—**	**—**	**—**	**(762,079)**	**—**
—	—	(2,145)	—	—	—	(1,627,195)	—
—	**—**	**9,177**	**—**	**—**	**—**	**17,230,591**	**—**
$ —	**$ —**	**$ 7,032**	**$ —**	**$ —**	**$ —**	**$ 15,603,396**	**$ —**

(continued)

Budgetary Comparison Schedule (continued)

General Fund and Major Special Revenue Funds

Year Ended June 30, 2015

(amounts in thousands)

	Environmental and Natural Resources			
	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
REVENUES				
Corporation tax	$ —	$ —	$ —	$ —
Intergovernmental	—	—	—	—
Cigarette and tobacco taxes	—	—	—	—
Inheritance, estate, and gift taxes	—	—	—	—
Insurance gross premiums tax	—	—	—	—
Vehicle license fees	—	—	—	—
Motor vehicle fuel tax	—	—	—	—
Personal income tax	—	—	—	—
Retail sales and use taxes	—	—	—	—
Other major taxes and licenses	159,709	159,709	159,709	—
Other revenues	4,951,728	4,951,728	4,951,728	—
Total revenues	**5,111,437**	**5,111,437**	**5,111,437**	**—**
EXPENDITURES				
State and consumer services	84,307	84,307	75,819	(8,488)
Business and transportation	267,839	267,839	266,991	(848)
Resources	6,277,882	4,890,634	4,463,202	(427,432)
Health and human services	40,687	40,687	36,001	(4,686)
Correctional programs	—	—	—	—
Education	11,289	11,289	8,925	(2,364)
General government:				
Tax relief	—	—	—	—
Debt service	—	—	—	—
Other general government	142,114	151,255	104,207	(47,048)
Total expenditures	**6,824,118**	**5,446,011**	**4,955,145**	**(490,866)**
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	—	—	551,017	—
Transfers to other funds	—	—	(237,125)	—
Other additions and deductions	—	—	7,152,061	—
Total other financing sources (uses)	**—**	**—**	**7,465,953**	**—**
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	—	—	7,622,245	—
Fund balances – beginning	**—**	**—**	**11,526,758**	**—**
Fund balances – ending	**$ —**	**$ —**	**$ 19,149,003**	**$ —**

(concluded)

Reconciliation of Budgetary Basis Fund Balances of the General Fund and the Major Special Revenue Funds to GAAP Basis Fund Balances

June 30, 2015
(amounts in thousands)

		Major Special Revenue Funds		
	General	Federal	Transportation	Environmental and Natural Resources
Budgetary fund balance reclassified into GAAP statement fund structure	**$ 6,459,790**	**$ 7,032**	**$ 15,603,396**	**$ 19,149,003**
Basis difference:				
Interfund receivables	46,526	—	2,944,261	623,097
Loans receivable	50,058	210,255	—	1,330,521
Interfund payables	(5,281,728)	—	(11,096)	(40,000)
Escheat property	(859,805)	—	—	—
Bonds authorized but unissued	—	—	(12,602,700)	(12,553,992)
Tax revenues	(213,820)	—	—	—
Fund classification changes	2,247,037	2,107	—	—
Other	300,000	—	2,859,692	(53,412)
Timing difference:				
Liabilities budgeted in subsequent years	(4,976,690)	(1,514)	(576,490)	(81,370)
GAAP fund balance (deficit) – ending	**$ (2,228,632)**	**$ 217,880**	**$ 8,217,063**	**$ 8,373,847**

Notes to the Required Supplementary Information

Budgetary Comparison Schedule

The State annually reports its financial condition based on a Generally Accepted Accounting Principles (GAAP) basis and on the State's budgetary provisions (budgetary basis). The Budgetary Comparison Schedule for the General Fund and Major Special Revenue Funds reports the original budget, the final budget, the actual expenditures, and the variance between the final budget and the actual expenditures, using the budgetary basis of accounting.

On the budgetary basis, individual appropriations are charged as expenditures when commitments for goods and services are incurred. However, for financial reporting purposes, the State reports expenditures based on the year in which goods and services are received. The Budgetary Comparison Schedule includes all of the current year expenditures for the General Fund and major special revenue funds as well as related appropriations that typically are legislatively authorized annually, continually, or by project. While the encumbrances relate to all programs' expenditures on a budgetary basis, adjustments for encumbrances are made under "other general government," except for Environmental and Natural Resources where adjustments for encumbrances are made under each program's expenditures.

The Budgetary Comparison Schedule is not presented in this document at the legal level of budgetary control because such a presentation would be extremely lengthy and cumbersome. The State of California prepares a separate report, the Comprehensive Annual Financial Report Supplement, which includes statements that demonstrate compliance with the legal level of budgetary control in accordance with Government Accounting

Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Section 2400.121. The supplement includes a comparison of the annual appropriated budget with expenditures at the legal level of control. A copy of the Comprehensive Annual Financial Report Supplement is available by emailing the State Controller's Office, Division of Accounting and Reporting at StateGovReports@sco.ca.gov.

Reconciliation of Budgetary With GAAP Basis

The reconciliation of budgetary basis fund balances of the General Fund and the major special revenue funds to GAAP basis fund balances is presented on the previous page and the reconciling items are explained in the following paragraphs.

The beginning fund balance for the General Fund on the budgetary basis is restated for prior-year revenue adjustments and prior-year expenditure adjustments. A prior-year revenue adjustment occurs when the actual amount received in the current year differs from the amount of revenue accrued in the prior year. A prior-year expenditure adjustment results when the actual amount paid in the current year differs from the prior-year accrual for appropriations for which the ability to encumber funds has lapsed in previous periods. The beginning fund balance on a GAAP basis is not affected by these adjustments.

Basis Difference

Interfund Receivables and Loans Receivable: Loans made to other funds or to other governments are normally recorded as either expenditures or transfers on a budgetary basis. However, in accordance with GAAP, these loans are recorded as assets. The adjustments related to interfund receivables caused increases of $47 million in the General Fund, $2.9 billion in the Transportation Fund, and $623 million in the Environmental and Natural Resources Fund. The adjustments related to loans receivable caused increases of $50 million in the General Fund, $210 million in the Federal Fund, and $1.3 billion in the Environmental and Natural Resources Fund.

Interfund Payables: Loans received from other funds or from other governments are normally recorded as either revenues or transfers on a budgetary basis. However, in accordance with GAAP, these loans are recorded as liabilities. The adjustments related to interfund payables caused decreases of $5.3 billion in the General Fund, $11 million in the Transportation Fund, and $40 million in the Environmental and Natural Resources Fund.

Escheat Property: A liability for the estimated amount of escheat property expected to ultimately be reclaimed and paid is not reported on a budgetary basis. The liability is required to be reported on a GAAP basis. This adjustment caused an $860 million decrease in the General Fund.

Bonds Authorized but Unissued: In the year that general obligation bonds are authorized by the voters, the full amount authorized is recognized as revenue on a budgetary basis. In accordance with GAAP, only the amount of bonds issued each year is reported as an other financing source. The adjustments related to bonds authorized but unissued caused decreases of $12.6 billion in the Transportation Fund and $12.6 billion in the Environmental and Natural Resources Fund.

Tax Revenues: Estimated tax payments are accrued on a budgetary basis pursuant to Chapter 751, Statutes of 2008. However, in accordance with GAAP, tax payments are accrued based on the portion of estimated net final payments related to the fiscal year. This adjustment caused a decrease of $214 million in the General Fund.

Fund Classification Changes: The fund balance amounts for governmental funds have been reclassified in accordance with governmental accounting standards. These reclassifications caused increases of $2.2 billion in the General Fund and $2 million in the Federal Fund. These increases represent the fund balances of funds that are not considered part of the General Fund or the Federal Fund, respectively, for any budgetary purpose or for the Budgetary/Legal Basis Annual Report.

Other: Certain other adjustments and reclassifications are necessary in order to present the financial statements in accordance with GAAP. The other adjustments caused increases of $300 million in the General Fund and $2.9 billion in the Transportation Fund, and a decrease of $53 million in the Environmental and Natural Resources Fund.

Timing Difference

Liabilities Budgeted in Subsequent Years: On a budgetary basis, the primary government does not accrue liabilities for which there is no existing appropriation or no currently available appropriation. The adjustments made to account for these liabilities in accordance with GAAP caused decreases of $5.0 billion in the General Fund, $2 million in the Federal Fund, $576 million in the Transportation Fund, and $81 million in the Environmental and Natural Resources Fund. The large decrease in the General Fund primarily consists of $2.3 billion for medical assistance, $1.1 billion for June 2015 payroll that was deferred to July 2015, $591 million for pension contributions, $327 million for payments to K-12 schools and higher education institutions, and $273 million for workers' compensation claims.

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Combining Financial Statements and Schedules – Nonmajor and Other Funds

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Nonmajor Governmental Funds

Nonmajor governmental funds account for the State's activities that do not meet the criteria of a major governmental fund. Following are brief descriptions of nonmajor governmental funds.

Special revenue funds account for the proceeds of specific revenue sources, other than debt service or capital projects, that are restricted or committed to expenditures for specific purposes.

The **Business and Professions Regulatory and Licensing Fund** accounts for fees and other revenues charged for regulating and licensing specific industries, professions, and vocations.

The **Financing for Local Governments and the Public Fund** accounts for taxes, fees, bond proceeds, and other revenues used to finance the construction and maintenance of parks, jails, and other public and local government programs.

The **Cigarette and Tobacco Tax Fund** accounts for a surtax on cigarette and tobacco products that is used for various health programs.

The **Local Revenue and Public Safety Fund** accounts for vehicle license fees and a 1.5625% state sales tax dedicated to local governments for realigning costs from the State to local governments, and a 0.5% state sales tax dedicated to local governments to fund public safety programs.

The **Health Care Related Programs Fund** accounts for fees, taxes, bond proceeds, transfers from the Federal Trust Fund and other state funds, and other revenues used for the Medi-Cal and Healthy Families programs, medical research, and other health and human services programs.

The **Trial Courts Fund** accounts for the various fees collected by the courts, maintenance-of-effort payments from the counties, transfers in from the General Fund, and trial court operating costs.

The **Golden State Tobacco Securitization Corporation Fund** is a blended component unit that accounts for the receipt of Tobacco Revenue Settlements pledged for the payment of debt service.

Other special revenue programs funds account for all other proceeds of revenue sources, other than debt service or capital projects, that are restricted or committed to expenditures for specific purposes.

Debt service funds account for and report financial resources that are restricted, committed, or assigned for the payment of principal and interest on general long-term obligations.

The **Economic Recovery Bond Sinking Fund** accounts for General Fund transfers, proceeds from the sale of surplus property, and the 0.25% sales and use tax revenue collected for the payment of principal, interest, and other related costs of the Economic Recovery Bonds.

(continued)

(continued)

The **Transportation Debt Service Fund** accounts for Transportation Fund transfers used for the payment of principal and interest related to various transportation-related general obligation bonds.

Capital projects funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The **Higher Education Construction Fund** accounts for bond proceeds used to construct state colleges and universities.

The **Hospital Construction Fund** accounts for bond proceeds used to construct hospitals.

The **Local Government Construction Fund** accounts for bond proceeds used to construct schools, libraries, and other major capital facilities for local governments.

Building authorities are blended component units created by joint-powers agreements between local governments and the State or other local governments for the purpose of financing the construction of state buildings. The funds account for bond proceeds used to finance and construct state buildings and parking facilities.

Other capital projects funds account for transactions related to resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2015
(amounts in thousands)

	Special Revenue		
	Business and Professions Regulatory and Licensing	**Financing for Local Governments and the Public**	**Cigarette and Tobacco Tax**
ASSETS			
Cash and pooled investments	$ 1,207,408	$ 976,860	$ 430,995
Investments	—	—	—
Receivables (net)	92,633	18,407	257,917
Due from other funds	41,544	118,700	17,920
Due from other governments	10,436	393,196	—
Interfund receivables	244,835	191,660	—
Loans receivable	123,114	2,466,487	—
Other assets	27	—	—
Total assets	**$ 1,719,997**	**$ 4,165,310**	**$ 706,832**
LIABILITIES			
Accounts payable	$ 43,888	$ 76,054	$ 83,941
Due to other funds	32,617	398,482	11,018
Due to component units	—	1,350	30,802
Due to other governments	178	209,245	68,549
Interfund payables	5,103	—	—
Revenues received in advance	38,198	2,021	—
Deposits	—	—	—
Interest payable	—	—	—
General obligation bonds payable	—	—	—
Other liabilities	16,022	659	1
Total liabilities	**136,006**	**687,811**	**194,311**
DEFERRED INFLOWS OF RESOURCES	**—**	**—**	**197,160**
Total liabilities and deferred inflows of resources	**136,006**	**687,811**	**391,471**
FUND BALANCES			
Nonspendable	—	—	—
Restricted	848,134	3,197,149	315,361
Committed	735,857	280,350	—
Assigned	—	—	—
Unassigned	—	—	—
Total fund balances	**1,583,991**	**3,477,499**	**315,361**
Total liabilites, deferred inflows of resources, and fund balances	**$ 1,719,997**	**$ 4,165,310**	**$ 706,832**

Special Revenue					
Local Revenue and Public Safety	Health Care Related Programs	Trial Courts	Golden State Tobacco Securitization Corporation	Other Special Revenue Programs	Total Nonmajor Special Revenue
$ 2,531,159	$ 1,257,156	$ 1,105,012	$ 554,187	$ 1,745,689	$ 9,808,466
—	—	298,514	—	—	298,514
71,648	1,460,945	283,315	200,847	214,645	2,600,357
33,727	99,455	30,034	—	368,936	710,316
—	1,539	24,687	—	50,252	480,110
—	12,000	310,000	—	380,400	1,138,895
—	32,156	—	—	73,523	2,695,280
—	—	8,887	—	—	8,914
$ 2,636,534	**$ 2,863,251**	**$ 2,060,449**	**$ 755,034**	**$ 2,833,445**	**$ 17,740,852**
$ 5,817	$ 44,025	$ 174,810	$ 446	$ 257,000	$ 685,981
28,237	2,115,813	18,157	—	44,050	2,648,374
—	—	—	—	1,937	34,089
2,560,381	137,889	147,145	—	351,402	3,474,789
—	—	—	—	3,471	8,574
—	20,381	78,346	—	33,907	172,853
—	—	448,152	—	18,922	467,074
—	—	—	—	—	—
—	—	—	—	—	—
—	—	81,271	—	21,062	119,015
2,594,435	**2,318,108**	**947,881**	**446**	**731,751**	**7,610,749**
—	**—**	**—**	**—**	**5,883**	**203,043**
2,594,435	**2,318,108**	**947,881**	**446**	**737,634**	**7,813,792**
—	—	5,620	—	—	5,620
10,333	420,732	985,999	754,588	1,844,615	8,376,911
31,768	125,597	104,182	—	254,155	1,531,909
—	—	16,767	—	—	16,767
(2)	(1,186)	—	—	(2,959)	(4,147)
42,099	**545,143**	**1,112,568**	**754,588**	**2,095,811**	**9,927,060**
$ 2,636,534	**$ 2,863,251**	**$ 2,060,449**	**$ 755,034**	**$ 2,833,445**	**$ 17,740,852**

(continued)

Combining Balance Sheet (continued)

Nonmajor Governmental Funds

June 30, 2015
(amounts in thousands)

	Debt Service		
	Economic Recovery Bond Sinking	Transportation Debt Service	Total Nonmajor Debt Service
ASSETS			
Cash and pooled investments	$ 1,025,636	$ —	$ 1,025,636
Investments	—	—	—
Receivables (net)	—	—	—
Due from other funds	11,367	151,303	162,670
Due from other governments	—	—	—
Interfund receivables	—	—	—
Loans receivable	—	—	—
Other assets	—	—	—
Total assets	**$ 1,037,003**	**$ 151,303**	**$ 1,188,306**
LIABILITIES			
Accounts payable	$ 12	$ —	$ 12
Due to other funds	—	151,303	151,303
Due to component units	—	—	—
Due to other governments	—	—	—
Interfund payables	—	—	—
Revenues received in advance	—	—	—
Deposits	—	—	—
Interest payable	23,039	—	23,039
General obligation bonds payable	14,550	—	14,550
Other liabilities	—	—	—
Total liabilities	**37,601**	**151,303**	**188,904**
DEFERRED INFLOWS OF RESOURCES	**—**	**—**	**—**
Total liabilities and deferred inflows of resources	**37,601**	**151,303**	**188,904**
FUND BALANCES			
Nonspendable	—	—	—
Restricted	999,402	—	999,402
Committed	—	—	—
Assigned	—	—	—
Unassigned	—	—	—
Total fund balances	**999,402**	**—**	**999,402**
Total liabilites, deferred inflows of resources, and fund balances	**$ 1,037,003**	**$ 151,303**	**$ 1,188,306**

	Capital Projects						
Higher Education Construction	**Hospital Construction**	**Local Government Construction**	**Building Authorities**	**Other Capital Projects**	**Total Nonmajor Capital Projects**	**Total Nonmajor Governmental**
$ 224,996	$ 91,208	$ 126,168	$ 38,085	$ 88,545	$ 569,002	$ 11,403,104
—	—	—	—	—	—	298,514
—	—	—	—	15	15	2,600,372
137	72	90	20,258	6,523	27,080	900,066
—	—	5,025	—	—	5,025	485,135
—	—	—	—	—	—	1,138,895
—	—	—	—	—	—	2,695,280
—	—	—	—	—	—	8,914
$ 225,133	**$ 91,280**	**$ 131,283**	**$ 58,343**	**$ 95,083**	**$ 601,122**	**$ 19,530,280**
$ 421	$ 22	$ 50	$ —	$ 61	$ 554	$ 686,547
615	—	1,601	—	1,440	3,656	2,803,333
—	—	—	—	—	—	34,089
—	—	—	—	79	79	3,474,868
—	—	—	—	—	—	8,574
—	—	—	—	—	—	172,853
—	—	—	—	—	—	467,074
—	—	—	207	—	207	23,246
—	—	—	—	—	—	14,550
—	—	—	1,217	—	1,217	120,232
1,036	**22**	**1,651**	**1,424**	**1,580**	**5,713**	**7,805,366**
—	—	—	—	—	—	203,043
1,036	**22**	**1,651**	**1,424**	**1,580**	**5,713**	**8,008,409**
—	—	—	—	—	—	5,620
224,097	91,258	129,632	56,919	82,072	583,978	9,960,291
—	—	—	—	11,431	11,431	1,543,340
—	—	—	—	—	—	16,767
—	—	—	—	—	—	(4,147)
224,097	**91,258**	**129,632**	**56,919**	**93,503**	**595,409**	**11,521,871**
$ 225,133	**$ 91,280**	**$ 131,283**	**$ 58,343**	**$ 95,083**	**$ 601,122**	**$ 19,530,280**

(concluded)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2015
(amounts in thousands)

	Special Revenue		
	Business and Professions Regulatory and Licensing	Financing for Local Governments and the Public	Cigarette and Tobacco Tax
REVENUES			
Personal income taxes	$ —	$ 1,366,501	$ —
Sales and use taxes	—	—	—
Insurance taxes	—	—	—
Other taxes	101,503	608,656	737,498
Intergovernmental	—	744,851	—
Licenses and permits	368,516	18,339	—
Charges for services	40,379	2,848	686
Fees	953,555	631	34
Penalties	18,334	10,092	—
Investment and interest	7,316	2,914	1,019
Escheat	35	—	—
Other	16,946	38,497	421
Total revenues	**1,506,584**	**2,793,329**	**739,658**
EXPENDITURES			
Current:			
General government	556,439	557,657	17,461
Education	20,577	100,257	50,419
Health and human services	338,114	2,568,918	577,598
Resources	54,833	114,142	10,222
State and consumer services	454,218	—	—
Business and transportation	80,449	161,500	—
Correctional programs	—	123,772	—
Capital outlay	—	21	—
Debt service:			
Bond and commercial paper retirement	—	23,780	—
Interest and fiscal charges	—	376	—
Total expenditures	**1,504,630**	**3,650,423**	**655,700**
Excess (deficiency) of revenues over (under) expenditures	1,954	(857,094)	83,958
OTHER FINANCING SOURCES (USES)			
General obligation bonds and commercial paper issued	—	178,775	—
Refunding debt issued	—	22,380	—
Payment to refund long-term debt	—	(12,137)	—
Premium on bonds issued	—	2,907	—
Remarketing bonds issued	—	—	—
Payment to remarketing agent	—	—	—
Transfers in	5,172	417,763	—
Transfers out	(5,637)	(24,000)	(71,263)
Total other financing sources (uses)	**(465)**	**585,688**	**(71,263)**
Net change in fund balances	1,489	(271,406)	12,695
Fund balances – beginning	**1,582,502**	**3,748,905**	**302,666**
Fund balances – ending	**$ 1,583,991**	**$ 3,477,499**	**$ 315,361**

Special Revenue					
Local Revenue and Public Safety	**Health Care Related Programs**	**Trial Courts**	**Golden State Tobacco Securitization Corporation**	**Other Special Revenue Programs**	**Total Nonmajor Special Revenue**
$ —	$ —	$ —	$ —	$ —	$ 1,366,501
12,556,502	—	—	—	—	12,556,502
—	1,470,111	—	—	—	1,470,111
—	—	—	—	356	1,448,013
—	(22,370)	815,993	—	—	1,538,474
2,285,641	—	—	—	11,098	2,683,594
—	93	56,639	—	181,858	282,503
—	3,635,721	617,438	—	1,140,437	6,347,816
—	8,543	497,013	—	310,510	844,492
665	1,690	2,435	500	6,066	22,605
—	—	6,092	—	4	6,131
—	332,991	154,193	414,492	344,362	1,301,902
14,842,808	**5,426,779**	**2,149,803**	**414,992**	**1,994,691**	**29,868,644**
4,259,667	1,517	3,177,005	394	1,061,468	9,631,608
—	221,435	—	—	9,736	402,424
9,366,816	5,878,004	—	—	644,855	19,374,305
—	309	—	—	51,836	231,342
—	—	210	—	14,360	468,788
—	—	—	—	9,889	251,838
1,221,506	—	—	—	32,046	1,377,324
—	—	—	—	—	21
—	89,045	—	133,900	—	246,725
—	178	—	292,173	—	292,727
14,847,989	**6,190,488**	**3,177,215**	**426,467**	**1,824,190**	**32,277,102**
(5,181)	(763,709)	(1,027,412)	(11,475)	170,501	(2,408,458)
—	225,870	—	—	—	404,645
—	—	—	1,692,050	—	1,714,430
—	—	—	(2,008,724)	—	(2,020,861)
—	140	—	226,368	—	229,415
—	—	—	—	—	—
—	—	—	—	—	—
45	229,671	1,043,355	—	106,482	1,802,488
—	—	—	—	(59,670)	(160,570)
45	**455,681**	**1,043,355**	**(90,306)**	**46,812**	**1,969,547**
(5,136)	(308,028)	15,943	(101,781)	217,313	(438,911)
47,235	**853,171**	**1,096,625**	**856,369**	**1,878,498**	**10,365,971**
$ 42,099	**$ 545,143**	**$ 1,112,568**	**$ 754,588**	**$ 2,095,811**	**$ 9,927,060**

(continued)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)

Nonmajor Governmental Funds

Year Ended June 30, 2015
(amounts in thousands)

	Debt Service		
	Economic Recovery Bond Sinking	Transportation Debt Service	Total Nonmajor Debt Service
REVENUES			
Personal income taxes	$ —	$ —	$ —
Sales and use taxes	1,583,413	—	1,583,413
Insurance taxes	—	—	—
Other taxes	—	—	—
Intergovernmental	—	—	—
Licenses and permits	—	—	—
Charges for services	—	—	—
Fees	—	—	—
Penalties	—	—	—
Investment and interest	2,143	—	2,143
Escheat	—	—	—
Other	1,260	—	1,260
Total revenues	**1,586,816**	**—**	**1,586,816**
EXPENDITURES			
Current:			
General government	16,577	—	16,577
Education	—	—	—
Health and human services	—	—	—
Resources	—	—	—
State and consumer services	—	—	—
Business and transportation	—	—	—
Correctional programs	—	—	—
Capital outlay	—	—	—
Debt service:			
Bond and commercial paper retirement	2,487,380	281,646	2,769,026
Interest and fiscal charges	393,206	554,222	947,428
Total expenditures	**2,897,163**	**835,868**	**3,733,031**
Excess (deficiency) of revenues over (under) expenditures	(1,310,347)	(835,868)	(2,146,215)
OTHER FINANCING SOURCES (USES)			
General obligation bonds and commercial paper issued	—	—	—
Refunding debt issued	—	—	—
Payment to refund long-term debt	—	—	—
Premium on bonds issued	—	—	—
Remarketing bonds issued	—	—	—
Payment to remarketing agent	—	—	—
Transfers in	1,606,422	835,868	2,442,290
Transfers out	—	—	—
Total other financing sources (uses)	**1,606,422**	**835,868**	**2,442,290**
Net change in fund balances	296,075	—	296,075
Fund balances – beginning	**703,327**	**—**	**703,327**
Fund balances – ending	**$ 999,402**	**$ —**	**$ 999,402**

* Restated

Capital Projects						
Higher Education Construction	**Hospital Construction**	**Local Government Construction**	**Building Authorities**	**Other Capital Projects**	**Total Nonmajor Capital Projects**	**Total Nonmajor Governmental**
$ —	$ —	$ —	$ —	$ —	$ —	$ 1,366,501
—	—	—	—	—	—	14,139,915
—	—	—	—	—	—	1,470,111
—	—	—	—	—	—	1,448,013
—	—	—	—	—	—	1,538,474
—	—	—	—	769	769	2,684,363
—	—	—	—	—	—	282,503
—	—	—	—	—	—	6,347,816
—	—	—	—	—	—	844,492
685	168	3,067	38	50	4,008	28,756
—	—	—	—	—	—	6,131
—	—	—	—	3,286	3,286	1,306,448
685	**168**	**3,067**	**38**	**4,105**	**8,063**	**31,463,523**
—	43,665	—	—	—	43,665	9,691,850
—	—	366,896	—	—	366,896	769,320
—	—	—	—	—	—	19,374,305
—	—	—	—	29,939	29,939	261,281
—	—	—	—	—	—	468,788
—	—	—	—	—	—	251,838
—	—	—	—	—	—	1,377,324
71,737	389	10,394	—	28,548	111,068	111,089
244,170	62,175	1,257,085	38,800	6,580	1,608,810	4,624,561
6,320	215	33,998	19,701	90	60,324	1,300,479
322,227	**106,444**	**1,668,373**	**58,501**	**65,157**	**2,220,702**	**38,230,835**
(321,542)	(106,276)	(1,665,306)	(58,463)	(61,052)	(2,212,639)	(6,767,312)
5,370	146,770	172,435	—	1,975	326,550	731,195
448,490	13,485	1,815,110	—	10,235	2,287,320	4,001,750
(274,626)	(15,546)	(789,832)	—	(5,833)	(1,085,837)	(3,106,698)
71,193	13,116	242,386	—	1,293	327,988	557,403
—	—	100,000	—	—	100,000	100,000
—	—	(100,000)	—	—	(100,000)	(100,000)
—	—	—	54,052	66,689	120,741	4,365,519
—	—	(105)	—	—	(105)	(160,675)
250,427	**157,825**	**1,439,994**	**54,052**	**74,359**	**1,976,657**	**6,388,494**
(71,115)	51,549	(225,312)	(4,411)	13,307	(235,982)	(378,818)
295,212	**39,709**	**354,944**	**61,330** *	**80,196**	**831,391**	**11,900,689**
$ 224,097	**$ 91,258**	**$ 129,632**	**$ 56,919**	**$ 93,503**	**$ 595,409**	**$ 11,521,871**

(concluded)

Budgetary Comparison Schedule

Budgetary Basis

Nonmajor Governmental Funds[1]

Year Ended June 30, 2015

(amounts in thousands)

	Budget Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Cigarette and tobacco taxes	$ 479,802	$ 479,802	$ —
Vehicle license fees	1,726,723	1,726,723	—
Personal income tax	1,366,501	1,366,501	—
Retail sales and use taxes	14,139,967	14,139,967	—
Other major taxes and licenses	1,478,440	1,478,440	—
Other revenues	11,406,666	11,406,666	—
Total revenues	**30,598,099**	**30,598,099**	**—**
EXPENDITURES			
State and consumer services	509,136	473,859	(35,277)
Business and transportation	1,343,062	1,196,130	(146,932)
Resources	278,514	237,542	(40,972)
Health and human services	21,683,565	21,524,323	(159,242)
Correctional programs	31,922	30,508	(1,414)
Education	499,482	487,999	(11,483)
General government:			
Tax relief	36	36	—
Other general government	9,253,436	8,768,189	(485,247)
Total expenditures	**33,599,153**	**32,718,586**	**(880,567)**
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	—	25,220,450	—
Transfers to other funds	—	(23,184,960)	—
Other additions and deductions	—	94,881	—
Total other financing sources (uses)	**—**	**2,130,371**	**—**
Excess of revenues and other sources over expenditures and other uses	—	9,886	—
Fund balances – beginning	**—**	**11,987,411** *	**—**
Fund balances – ending	**$ —**	**$ 11,997,297**	**$ —**

* Restated

[1] On a budgetary basis, the State's funds are classified as either governmental cost funds or nongovernmental cost funds. The governmental cost funds include the General Fund, most of the funds that comprise the Transportation Fund and the Environmental and Natural Resources Fund, and many other funds that make up the nonmajor governmental funds reported in these financial statements. Governmental cost funds derive their revenue from taxes, licenses, and fees that support the general operations of the State. The appropriations of the budgetary basis governmental cost funds form the annual appropriated budget of the State. Nongovernmental cost funds consist of funds that derive their receipts from sources other than general and special taxes, licenses, fees, or state revenues and mainly represent the proprietary and fiduciary funds reported in these financial statements. Expenditures of these funds do not represent a cost of government and most of the nongovernmental cost funds are not included in the annual appropriated budget. Therefore, the expenditures of these funds are not included in this schedule. The Federal Fund is one nongovernmental cost fund that is included in the annual appropriated budget. The Budgetary Comparison Schedule for the General Fund, Federal Fund, Transportation Fund, and Environmental and Natural Resources Fund is included in the Required Supplementary Information section; the remaining governmental cost funds are reflected in this schedule. Additional information on the budgetary basis of accounting can be found in the Management's Discussion and Analysis, Note 2 – Budgetary and Legal Compliance, notes to the Required Supplementary Information, and in the separately issued Comprehensive Annual Financial Report Supplement.

Internal Service Funds

Internal service funds account for state activities that provide goods and services to other state departments or agencies on a cost reimbursement basis. Following are brief descriptions of the internal service funds.

The **Public Buildings Construction Fund** accounts for rental charges from the lease of public assets and the related lease-purchase revenue bonds.

The **Architecture Revolving Fund** accounts for charges for the costs of architectural services, construction, and improvements.

The **Service Revolving Fund** accounts for charges for printing and procurement services rendered by the Department of General Services for state departments and other public entities.

The **Prison Industries Fund** accounts for charges for goods produced by inmates in state prisons that are sold to state departments and other governmental entities.

The **Financial Information Systems Fund** accounts for charges for the development and subsequent use of the State's new financial information system.

The **Technology Services Revolving Fund** accounts for charges for technology services performed for various state, federal, and local government entities by the California Technology Agency.

The **Water Resources Revolving Fund** accounts for charges for administrative services related to water delivery provided by the Department of Water Resources to federal, state, and local government agencies.

Other internal service program funds account for all other goods and services provided to other agencies, departments, or governments on a cost-reimbursement basis.

Combining Statement of Net Position

Internal Service Funds

June 30, 2015
(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
ASSETS		
Current assets:		
Cash and pooled investments	$ —	$ 284,522
Restricted assets:		
Cash and pooled investments	2,356,430	—
Net investment in direct financing leases	466,796	—
Receivables (net)	—	500
Due from other funds	246,480	41,673
Due from other governments	—	—
Prepaid items	—	—
Inventories	—	—
Total current assets	3,069,706	326,695
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments	288,505	—
Net investment in direct financing leases	6,914,647	—
Interfund receivables	—	—
Long-term prepaid charges	4,981	—
Capital assets:		
Land	—	—
Buildings and other depreciable property	—	317
Intangible assets – amortizable	—	—
Less: accumulated depreciation/amortization	—	(317)
Construction/development in progress	1,172,569	—
Total noncurrent assets	8,380,702	—
Total assets	**11,450,408**	**326,695**
DEFERRED OUTFLOWS OF RESOURCES	**67,139**	**1,436**
Total assets and deferred outflows of resources	**$ 11,517,547**	**$ 328,131**

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
$ 110,175	$ 213,401	$ 46,438	$ 56,310	$ 18,738	$ 511,882	$ 1,241,466
—	—	—	—	—	—	2,356,430
—	—	—	—	—	—	466,796
889	1,422	9	9,415	7,644	3,670	23,549
34,276	320	6,094	37,288	75,199	53,459	494,789
1,005	196	—	787	—	11,531	13,519
89,552	500	6,482	8,012	10,194	1,078	115,818
6,869	39,924	—	30,992	904	—	78,689
242,766	255,763	59,023	142,804	112,679	581,620	4,791,056
—	—	—	—	—	—	288,505
—	—	—	—	—	—	6,914,647
—	—	—	—	—	13,955	13,955
—	—	—	—	—	—	4,981
—	—	—	—	—	2,312	2,312
142,186	162,646	1,650	327,661	33,845	10,545	678,850
9,381	3,672	1,556	51,569	2,394	—	68,572
(106,751)	(122,088)	(1,274)	(297,265)	(36,239)	(6,761)	(570,695)
—	1,811	134,145	—	—	162	1,308,687
44,816	46,041	136,077	81,965	—	20,213	8,709,814
287,582	**301,804**	**195,100**	**224,769**	**112,679**	**601,833**	**13,500,870**
35,619	**6,713**	**2,919**	**16,956**	**—**	**9,175**	**139,957**
$ 323,201	**$ 308,517**	**$ 198,019**	**$ 241,725**	**$ 112,679**	**$ 611,008**	**$ 13,640,827**

(continued)

Combining Statement of Net Position (continued)

Internal Service Funds

June 30, 2015
(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
LIABILITIES		
Current liabilities:		
Accounts payable	$ 77,402	$ 7,850
Due to other funds	13,991	8
Due to other governments	—	—
Revenues received in advance	5,769	321,158
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	123,108	—
Current portion of long-term obligations	546,740	—
Other liabilities	24,961	74
Total current liabilities	791,971	329,090
Noncurrent liabilities:		
Interfund payables	—	1,530
Compensated absences payable	—	6,811
Workers' compensation benefits payable	—	1,134
Revenue bonds payable	10,583,876	—
Net other postemployment benefits obligation	—	14,658
Net pension liability	—	2,813
Other noncurrent liabilities	—	—
Total noncurrent liabilities	10,583,876	26,946
Total liabilities	**11,375,847**	**356,036**
DEFERRED INFLOWS OF RESOURCES	**—**	**556**
Total liabilities and deferred inflows of resources	**11,375,847**	**356,592**
NET POSITION		
Net investment in capital assets	—	—
Restricted – expendable:		
Construction	140,534	—
Debt service	1,166	—
Total expendable	141,700	—
Unrestricted	—	(28,461)
Total net position (deficits)	**141,700**	**(28,461)**
Total liabilites and net position	**$ 11,517,547**	**$ 328,131**

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
$ 11,839	$ 3,147	$ 25,108	$ 15,321	$ 16,955	$ 180,702	$ 338,324
74,408	8,653	3,957	615	553	30,476	132,661
—	—	—	6	17	428	451
25,527	454	—	1,540	60	—	354,508
685	—	—	—	—	—	685
105	—	—	13,881	—	—	13,986
—	—	—	—	—	—	123,108
—	2,195	863	—	—	—	549,798
16	1,461	—	—	577	2,087	29,176
112,580	15,910	29,928	31,363	18,162	213,693	1,542,697
3,614	—	37,650	1,635	95,129	115	139,673
69,999	10,163	1,932	46,087	—	22,210	157,202
22,173	16,415	—	6,358	—	—	46,080
—	—	—	—	—	—	10,583,876
261,327	53,753	—	83,690	—	104,316	517,744
443,449	25,170	23,477	163,031	—	45,216	703,156
—	—	—	16,327	—	—	16,327
800,562	105,501	63,059	317,128	95,129	171,857	12,164,058
913,142	**121,411**	**92,987**	**348,491**	**113,291**	**385,550**	**13,706,755**
87,569	**8,926**	**4,636**	**32,191**	**—**	**8,929**	**142,807**
1,000,711	**130,337**	**97,623**	**380,682**	**113,291**	**394,479**	**13,849,562**
44,816	46,041	136,077	58,676	—	6,258	291,868
—	—	—	—	—	—	140,534
—	—	—	—	—	—	1,166
—	—	—	—	—	—	141,700
(722,326)	132,139	(35,681)	(197,633)	(612)	210,271	(642,303)
(677,510)	**178,180**	**100,396**	**(138,957)**	**(612)**	**216,529**	**(208,735)**
$ 323,201	**$ 308,517**	**$ 198,019**	**$ 241,725**	**$ 112,679**	**$ 611,008**	**$ 13,640,827**

(concluded)

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

Internal Service Funds

Year Ended June 30, 2015

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
OPERATING REVENUES		
Services and sales	$ —	$ 185,652
Investment and interest	8,215	—
Rent	454,488	—
Total operating revenues	**462,703**	**185,652**
OPERATING EXPENSES		
Personal services	—	26,722
Supplies	—	—
Services and charges	3,646	157,575
Depreciation	—	—
Interest expense	492,868	—
Amortization of long-term prepaid charges	3,347	—
Other	23,429	—
Total operating expenses	**523,290**	**184,297**
Operating income (loss)	(60,587)	1,355
NONOPERATING REVENUES (EXPENSES)		
Investment and interest income	405	—
Interest expense and fiscal charges	—	—
Other	—	—
Total nonoperating revenues (expenses)	**405**	**—**
Income (loss) before transfers	(60,182)	1,355
Transfers in	—	—
Transfers out	—	—
Change in net position	(60,182)	1,355
Total net position (deficit) – beginning	**201,882** *	**(29,816)** *
Total net position (deficit) – ending	**$ 141,700**	**$ (28,461)**

* Restated

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
$ 644,184	$ 280,237	$ 114,267	$ 360,366	$ 427,155	$ 915,216	$ 2,927,077
—	—	—	128	—	—	8,343
—	—	—	—	—	—	454,488
644,184	**280,237**	**114,267**	**360,494**	**427,155**	**915,216**	**3,389,908**
263,201	67,677	17,375	167,767	—	211,108	753,850
—	5,088	—	—	6,812	26	11,926
335,725	155,389	126,293	165,553	363,352	659,526	1,967,059
9,985	6,388	385	29,401	6,213	251	52,623
—	—	—	341	—	—	493,209
—	—	—	—	—	—	3,347
—	—	—	—	—	—	23,429
608,911	**234,542**	**144,053**	**363,062**	**376,377**	**870,911**	**3,305,443**
35,273	45,695	(29,786)	(2,568)	50,778	44,305	84,465
—	210	—	—	—	290	905
—	(18)	—	—	—	—	(18)
—	(273)	—	(325)	—	—	(598)
—	**(81)**	**—**	**(325)**	**—**	**290**	**289**
35,273	45,614	(29,786)	(2,893)	50,778	44,595	84,754
—	—	95,602	—	—	4,500	100,102
(43,113)	—	—	—	—	(21,339)	(64,452)
(7,840)	45,614	65,816	(2,893)	50,778	27,756	120,404
(669,670) *	**132,566 ***	**34,580 ***	**(136,064) ***	**(51,390)**	**188,773 ***	**(329,139)**
$ (677,510)	**$ 178,180**	**$ 100,396**	**$ (138,957)**	**$ (612)**	**$ 216,529**	**$ (208,735)**

Combining Statement of Cash Flows

Internal Service Funds

Year Ended June 30, 2015

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 25,684	$ —
Receipts from interfund services provided	810,928	205,418
Payments to suppliers	(323)	(168,156)
Payments to employees	—	(27,698)
Payments for interfund services used	—	—
Claims paid to other than employees	—	—
Other receipts (payments)	(537,869)	(1,541)
Net cash provided by (used in) operating activities	**298,420**	**8,023**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Changes in interfund payables and loans payable	—	1,531
Interest paid	—	—
Transfers in	—	—
Transfers out	—	—
Other	—	—
Net cash provided by (used in) noncapital financing activities	**—**	**1,531**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(1,253,654)	—
Proceeds from sale of capital assets	—	—
Proceeds from revenue bonds	840,614	—
Retirement of revenue bonds	(982,847)	—
Net cash used in capital and related financing activities	**(1,395,887)**	**—**
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on investments	405	—
Net cash provided by (used in) investing activities	**405**	**—**
Net increase (decrease) in cash and pooled investments	(1,097,062)	9,554
Cash and pooled investments – beginning	**3,741,997**	**274,968**
Cash and pooled investments – ending	**$ 2,644,935**	**$ 284,522**

[1] The California Health and Human Services Automation fund was included in the Technology Services Revolving column in the prior fiscal year and is now included in the Other Internal Service Programs column.

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
$ —	$ 6,224	$ —	$ —	$ —	$ —	$ 31,908
660,680	266,088	111,043	360,957	382,077	1,007,987	3,805,178
(357,379)	(156,605)	(141,373)	(171,557)	(7,852)	(677,473)	(1,680,718)
(223,413)	(63,424)	(18,551)	(145,356)	—	(173,655)	(652,097)
—	—	—	—	—	—	—
—	—	—	—	(363,352)	—	(363,352)
13,619	(55)	—	(5,699)	104	(7,105)	(538,546)
93,507	**52,228**	**(48,881)**	**38,345**	**10,977**	**149,754**	**602,373**
(212)	—	—	(116)	(79)	—	1,124
—	(18)	—	—	—	—	(18)
—	—	95,602	—	—	4,500	100,102
(43,113)	—	—	—	—	(21,339)	(64,452)
—	—	—	—	—	1,819	1,819
(43,325)	**(18)**	**95,602**	**(116)**	**(79)**	**(15,020)**	**38,575**
(22,998)	(8,184)	(44,301)	(15,679)	(6,213)	(22)	(1,351,051)
106	674	—	—	—	—	780
—	—	—	—	—	—	840,614
—	—	—	—	—	—	(982,847)
(22,892)	**(7,510)**	**(44,301)**	**(15,679)**	**(6,213)**	**(22)**	**(1,492,504)**
—	192	—	—	—	288	885
—	**192**	**—**	**—**	**—**	**288**	**885**
27,290	44,892	2,420	22,550	4,685	135,000	(850,671)
82,885	**168,509**	**44,018**	**33,760** [1]	**14,053**	**376,882** [1]	**4,737,072**
$ 110,175	**$ 213,401**	**$ 46,438**	**$ 56,310**	**$ 18,738**	**$ 511,882**	**$ 3,886,401**

(continued)

Combining Statement of Cash Flows (continued)

Internal Service Funds

Year Ended June 30, 2015

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	$ (60,587)	$ 1,355
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	—	—
Amortization of premiums and discounts	(61,129)	—
Amortization of long-term prepaid charges	820	—
Other	30,467	—
Change in account balances:		
Receivables	—	(474)
Due from other funds	(32,907)	(14,031)
Due from other governments	—	—
Prepaid items	—	(4,364)
Inventories	—	—
Net investment in direct financing leases	417,111	—
Deferred outflow of resources	2,505	(1,181)
Accounts payable	(218)	(6,217)
Due to other funds	(35)	(1,511)
Due to component units	—	—
Due to other governments	(194)	—
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	4,164	—
Revenues received in advance	(18)	35,782
Other current liabilities	(1,559)	(1,541)
Benefits payables	—	—
Compensated absences payable	—	(1,594)
Other noncurrent liabilities	—	1,243
Deferred inflow of resources	—	556
Total adjustments	359,007	6,668
Net cash provided by (used in) operating activities	**$ 298,420**	**$ 8,023**

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
$ 35,273	$ 45,695	$ (29,786)	$ (2,568)	$ 50,778	$ 44,305	$ 84,465
9,985	6,388	385	29,401	6,213	251	52,623
—	—	—	—	—	—	(61,129)
—	—	—	—	—	—	820
—	(55)	—	—	—	—	30,412
2,913	409	—	5,112	5,285	71,115	84,360
9,451	97	(3,225)	(4,784)	320	86,399	41,320
18,873	111	—	10	—	(11,564)	7,430
3,883	(218)	(4)	(7,700)	870	(565)	(8,098)
1,142	(2,119)	—	(1,091)	79	—	(1,989)
—	—	—	—	—	—	417,111
4,539	(1,495)	(792)	(2,189)	—	(5,081)	(3,694)
(26,679)	(2,073)	(15,076)	3,128	(1,989)	(14,969)	(64,093)
1,523	(451)	1	(1,405)	2	(57,081)	(58,957)
—	—	—	—	—	87	87
(162)	—	—	(1)	13	(200)	(544)
256	—	—	—	—	—	256
(510)	—	—	(706)	—	—	(1,216)
—	—	—	—	—	—	4,164
2,609	(441)	—	1,540	14	—	39,486
(4,838)	(1,572)	—	—	91	(1,307)	(10,726)
—	—	—	—	—	3,215	3,215
5,611	586	(31)	15,828	(50,699)	20,785	(9,514)
(57,931)	(1,560)	(4,989)	(28,421)	—	5,435	(86,223)
87,569	8,926	4,636	32,191	—	8,929	142,807
58,234	6,533	(19,095)	40,913	(39,801)	105,449	517,908
$ 93,507	**$ 52,228**	**$ (48,881)**	**$ 38,345**	**$ 10,977**	**$ 149,754**	**$ 602,373**

(concluded)

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Nonmajor Enterprise Funds

Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises, in which the costs of providing goods or services to the general public on a continuing basis are intended to be financed or recovered primarily through user charges. Following are brief descriptions of nonmajor enterprise funds.

The **State Water Pollution Control Revolving Fund** accounts for loans to finance the construction of publicly owned water pollution control facilities.

The **Housing Loan Fund** accounts for financing and contracts for the sale of properties to eligible California veterans.

Other enterprise program funds account for all other goods or services provided to the general public on a continuing basis when all or most of the cost involved is to be financed by user charges, or when periodic measurement of the results of operations is appropriate for management control, accountability, capital maintenance, public policy, or other purposes.

Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2015
(amounts in thousands)

	State Water Pollution Control Revolving	Housing Loan	Other Enterprise Programs	Total
ASSETS				
Current assets:				
Cash and pooled investments	$ 265,126	$ 149,855	$ 242,975	$ 657,956
Restricted assets:				
Cash and pooled investments	37,320	—	—	37,320
Due from other governments	20,584	—	—	20,584
Receivables (net)	—	31,423	244	31,667
Due from other funds	1,248	127	226	1,601
Due from other governments	211,594	—	566	212,160
Prepaid items	—	—	14	14
Inventories	—	—	3,284	3,284
Total current assets	535,872	181,405	247,309	964,586
Noncurrent assets:				
Restricted assets:				
Loans receivable	284,213	—	—	284,213
Investments	—	17,969	—	17,969
Interfund receivables	—	—	1,600	1,600
Loans receivable	3,054,846	787,189	116,095	3,958,130
Capital assets:				
Land	—	443	829	1,272
Buildings and other depreciable property	—	16,260	2,331	18,591
Intangible assets – amortizable	—	—	1,500	1,500
Less: accumulated depreciation/amortization	—	(15,968)	(1,665)	(17,633)
Construction/development in progress	—	—	261	261
Other noncurrent assets	—	3,532	—	3,532
Total noncurrent assets	3,339,059	809,425	120,951	4,269,435
Total assets	**3,874,931**	**990,830**	**368,260**	**5,234,021**
DEFERRED OUTFLOWS OF RESOURCES	**42**	**3,334**	**882**	**4,258**
Total assets and deferred outflows of resources	**$ 3,874,973**	**$ 994,164**	**$ 369,142**	**$ 5,238,279**

	State Water Pollution Control Revolving	Housing Loan	Other Enterprise Programs	Total
LIABILITIES				
Current liabilities:				
Accounts payable	$ —	$ 24	$ 4,103	$ 4,127
Due to other funds	126	229	1,373	1,728
Due to other governments	—	—	37	37
Revenues received in advance	3	—	30	33
Interest payable	388	11,831	—	12,219
Current portion of long-term obligations	13,992	20,900	9,518	44,410
Other current liabilities	—	—	51	51
Total current liabilities	14,509	32,984	15,112	62,605
Noncurrent liabilities:				
Compensated absences payable	—	—	8,611	8,611
Workers' compensation benefits payable	—	—	580	580
General obligation bonds payable	—	444,273	—	444,273
Revenue bonds payable	30,905	359,715	—	390,620
Net other postemployment benefits obligation	—	5,435	7,966	13,401
Net pension liability	1,119	13,093	6,345	20,557
Other noncurrent liabilities	—	443	61,838	62,281
Total noncurrent liabilities	32,024	822,959	85,340	940,323
Total liabilities	**46,533**	**855,943**	**100,452**	**1,002,928**
DEFERRED INFLOWS OF RESOURCES	**209**	**2,440**	**1,253**	**3,902**
Total liabilities and deferred inflows of resources	**46,742**	**858,383**	**101,705**	**1,006,830**
NET POSITION				
Net investment in capital assets	—	735	3,262	3,997
Restricted – expendable:				
Debt service	37,320	—	—	37,320
Security for revenue bonds	304,797	—	—	304,797
Other purposes	—	135,046	191,463	326,509
Total expendable	342,117	135,046	191,463	668,626
Unrestricted	3,486,114	—	72,712	3,558,826
Total net position	**3,828,231**	**135,781**	**267,437**	**4,231,449**
Total liabilities and net position	**$ 3,874,973**	**$ 994,164**	**$ 369,142**	**$ 5,238,279**

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

Nonmajor Enterprise Funds

Year Ended June 30, 2015

(amounts in thousands)

	State Water Pollution Control Revolving	Housing Loan	Other Enterprise Programs	Total
OPERATING REVENUES				
Services and sales	$ 9,609	$ 2,014	$ 75,863	$ 87,486
Investment and interest	55,554	52,287	105	107,946
Rent	—	—	176	176
Other	—	3,441	1,996	5,437
Total operating revenues	**65,163**	**57,742**	**78,140**	**201,045**
OPERATING EXPENSES				
Personal services	340	12,469	30,345	43,154
Supplies	—	—	32,968	32,968
Services and charges	7,693	11,453	13,961	33,107
Depreciation	—	141	201	342
Interest expense	—	33,726	—	33,726
Other	752	—	—	752
Total operating expenses	**8,785**	**57,789**	**77,475**	**144,049**
Operating income (loss)	56,378	(47)	665	56,996
NONOPERATING REVENUES (EXPENSES)				
Investment and interest income	796	—	485	1,281
Interest expense and fiscal charges	(293)	—	—	(293)
Other	(4)	(491)	—	(495)
Total nonoperating revenues (expenses)	**499**	**(491)**	**485**	**493**
Income (loss) before capital contributions and transfers	56,877	(538)	1,150	57,489
Capital contributions	107,746	—	—	107,746
Transfers out	—	—	(9,212)	(9,212)
Change in net position	164,623	(538)	(8,062)	156,023
Total net position – beginning	**3,663,608** *	**136,319** *	**275,499** *	**4,075,426**
Total net position – ending	**$ 3,828,231**	**$ 135,781**	**$ 267,437**	**$ 4,231,449**

* Restated

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

Year Ended June 30, 2015

(amounts in thousands)

	State Water Pollution Control Revolving	Housing Loan	Other Enterprise Programs	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers/employers	$ 52,105	$ 212,995	$ 77,950	$ 343,050
Receipts from interfund services provided	—	—	1,409	1,409
Payments to suppliers	(8,439)	(3,023)	(42,388)	(53,850)
Payments to employees	(340)	(12,443)	(23,837)	(36,620)
Payments for interfund services used	(4)	—	(421)	(425)
Claims paid to other than employees	—	—	—	—
Other receipts (payments)	(173,255)	(176,173)	(12,806)	(362,234)
Net cash provided by (used in) operating activities..	**(129,933)**	**21,356**	**(93)**	**(108,670)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from general obligation bonds	—	110,000	—	110,000
Retirement of general obligation bonds	—	(77,455)	—	(77,455)
Retirement of revenue bonds	(13,000)	(12,960)	—	(25,960)
Interest paid	(1,717)	—	—	(1,717)
Transfers out	—	—	(9,212)	(9,212)
Grants received	106,889	—	—	106,889
Other	4,000	—	—	4,000
Net cash provided by (used in) noncapital financing activities	**96,172**	**19,585**	**(9,212)**	**106,545**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	—	—	(495)	(495)
Proceeds from sale of capital assets	—	—	—	—
Net cash provided by (used in) capital and related financing activities	**—**	**—**	**(495)**	**(495)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	—	(3,000)	—	(3,000)
Proceeds from maturity and sale of investments	—	10,233	—	10,233
Earnings on investments	785	—	487	1,272
Net cash provided by (used in) investing activities...	**785**	**7,233**	**487**	**8,505**
Net increase (decrease) in cash and pooled investments	(32,976)	48,174	(9,313)	5,885
Cash and pooled investments – beginning	**335,422**	**101,681**	**252,288**	**689,391**
Cash and pooled investments – ending	**$ 302,446**	**$ 149,855**	**$ 242,975**	**$ 695,276**

(continued)

Combining Statement of Cash Flows (continued)

Nonmajor Enterprise Funds

Year Ended June 30, 2015

(amounts in thousands)

	State Water Pollution Control Revolving	Housing Loan	Other Enterprise Programs	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	$ 56,378	$ (47)	$ 665	$ 56,996
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	—	141	201	342
Provisions and allowances	—	(46)	—	(46)
Amortization of premiums and discounts	—	280	—	280
Other	(16,582)	—	—	(16,582)
Change in account balances:				
Receivables	—	146	(19)	127
Due from other funds	(4)	—	120	116
Due from other governments	1,820	—	46	1,866
Prepaid items	—	—	3,299	3,299
Inventories	—	—	(160)	(160)
Other current assets	—	181	—	181
Loans receivable	(171,550)	16,552	778	(154,220)
Deferred outflow of resources	35	(298)	(309)	(572)
Accounts payable	—	(180)	1,086	906
Due to other funds	(29)	49	441	461
Due to other governments	—	—	30	30
Interest payable	—	856	—	856
Revenues received in advance	(1)	—	5	4
Other current liabilities	—	—	(2,425)	(2,425)
Benefits payables	—	—	666	666
Compensated absences payable	—	—	5,823	5,823
Other noncurrent liabilities	—	1,282	(11,593)	(10,311)
Deferred inflows of resources	—	2,440	1,253	3,693
Total adjustments	(186,311)	21,403	(758)	(165,666)
Net cash provided by (used in) operating activities	**$ (129,933)**	**$ 21,356**	**$ (93)**	**$ (108,670)**
				(concluded)
Noncash investing, capital, and financing activities				
Miscellaneous noncash activities	$ —	$ 3,977	$ —	$ 3,977

Private Purpose Trust Funds

Private purpose trust funds account for all trust arrangements, other than those properly reported in pension and other employee benefit trust funds or investment trust funds, under which both principal and income benefit individuals, private organizations, or other governments. Following are brief descriptions of private purpose trust funds.

The **Scholarshare Program Trust Fund** accounts for money received from participants to fund their beneficiaries' higher-education expenses at certain postsecondary educational institutions.

The **Unclaimed Property Fund** accounts for unclaimed money and properties held in trust by the State.

Other private purpose trust funds account for other assets held in a trustee capacity when both principal and income benefit individuals, private organizations, or other governments.

Combining Statement of Fiduciary Net Position

Private Purpose Trust Funds

June 30, 2015
(amounts in thousands)

	Scholarshare Program Trust	Unclaimed Property	Other Private Purpose Trust	Total
ASSETS				
Cash and pooled investments	$ 1	$ 78,638	$ 23,289	$ 101,928
Investments, at fair value:				
Equity securities	3,349,734	—	—	3,349,734
Debt securities	2,031,408	—	—	2,031,408
Real estate	198,961	—	—	198,961
Other	849,852	—	—	849,852
Total investments	6,429,955	—	—	6,429,955
Receivables (net)	8,555	1,922	—	10,477
Due from other funds	—	9,828	21	9,849
Other assets	—	155,984	—	155,984
Total assets	**6,438,511**	**246,372**	**23,310**	**6,708,193**
LIABILITIES				
Accounts payable	8,939	15,797	15,073	39,809
Deposits	—	155,984	—	155,984
Other liabilities	—	1,755	6,982	8,737
Total liabilities	**8,939**	**173,536**	**22,055**	**204,530**
NET POSITION				
Held in trust for benefits and other purposes	**$ 6,429,572**	**$ 72,836**	**$ 1,255**	**$ 6,503,663**

Combining Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds

Year Ended June 30, 2015

(amounts in thousands)

	Scholarshare Program Trust	Unclaimed Property	Other Private Purpose Trust	Total
ADDITIONS				
Investment income:				
Net appreciation in fair value of investments	$ (155,564)	$ —	$ —	$ (155,564)
Interest, dividends, and other investment income	319,385	—	—	319,385
Less: investment expense	(3,832)	—	—	(3,832)
Net investment income	159,989	—	—	159,989
Receipts from depositors	3,017,247	233,825	3,331	3,254,403
Total additions	**3,177,236**	**233,825**	**3,331**	**3,414,392**
DEDUCTIONS				
Payments to and for depositors	2,775,988	272,391	3,245	3,051,624
Total deductions	**2,775,988**	**272,391**	**3,245**	**3,051,624**
Change in net position	401,248	(38,566)	86	362,768
Net position – beginning	**6,028,324**	**111,402**	**1,169**	**6,140,895**
Net position – ending	**$ 6,429,572**	**$ 72,836**	**$ 1,255**	**$ 6,503,663**

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Fiduciary Funds and Similar Component Units – Pension and Other Employee Benefit Trust Funds

Pension and other employee benefit trust funds account for transactions, assets, liabilities, and net position available for pension and other employee benefits of the two public employees' retirement systems that are fiduciary component units, and for other primary government employee benefit programs. Following are brief descriptions of pension and other employee benefit trust funds.

Defined Benefit Pension Plans are pension plans that provide defined benefit pensions to employees after separation from service:

The **Public Employees' Retirement Fund** is administered by the California Public Employees' Retirement System (CalPERS) and accounts for the employee and employer contributions of the agent and cost-sharing multiple-employer retirement plans that provide pension benefits to employees of the State of California, non-teaching school employees, and employees of California public agencies.

The **State Teachers' Retirement Fund** is administered by the California State Teachers' Retirement System (CalSTRS) and accounts for the employee, employer, and primary government contributions of the cost-sharing multiple-employer retirement plan that provides pension benefits to teachers and certain other employees of the California public school system.

The **Judges' Retirement Fund** is administered by CalPERS and accounts for the employee and employer contributions of the single-employer retirement plan that provides pension benefits to judges of the California Supreme Court, courts of appeal, and superior courts who were appointed or elected prior to November 9, 1994.

The **Judges' Retirement Fund II** is administered by CalPERS and accounts for the employee and employer contributions of the single-employer retirement plan that provides pension benefits to judges of the California Supreme Court, courts of appeal, and superior courts who were appointed or elected on or subsequent to November 9, 1994.

The **Legislators' Retirement Fund** is administered by CalPERS and accounts for the employee and employer contributions of the single-employer retirement plan that provides pension benefits to members of the Legislature serving prior to November 7, 1990, constitutional officers, and legislative statutory officers who elect to participate in the plan.

(continued)

(continued)

The **Deferred Compensation Fund** accounts for monies withheld from the salaries of participants per Internal Revenue Code sections 401(k), 457, and 403(b). The monies are invested until the employee retires or resigns, at which time all money withdrawn, including investment income, is subject to income taxes.

Other pension and other employee benefit trust funds account for funds contributed to smaller retirement plans and programs that are not defined benefit pension plans including the Annuitants' Health Care Coverage Fund, Teachers' Health Benefits Fund, State Peace Officers' and Firefighters' Defined Contribution Plan Fund, Supplemental Contributions Program Fund, Boxers' Pension Fund, and Flexelect Benefit Fund.

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Combining Statement of Fiduciary Net Position

Fiduciary Funds and Similar Component Units – Pension and Other Employee Benefit Trust Funds

June 30, 2015
(amounts in thousands)

	Defined Benefit	
	Public Employees' Retirement	State Teachers' Retirement
ASSETS		
Cash and pooled investments	$ 2,353,478	$ 508,007
Investments, at fair value:		
Short-term	8,162,842	4,231,825
Equity securities	153,436,183	104,580,292
Debt securities	77,889,244	31,871,871
Real estate	31,185,446	26,383,025
Other	28,808,840	26,715,679
Securities lending collateral	10,761,058	18,029,379
Total investments	310,243,613	211,812,071
Receivables (net)	1,871,340	3,968,462
Due from other funds	607,942	279
Due from other governments	—	3,125
Loans receivable	—	34,293
Other assets	706,657	225,973
Total assets	**315,783,030**	**216,552,210**
DEFERRED OUTFLOWS OF RESOURCES	—	16,398
Total assets and deferred outflows of resources	**315,783,030**	**216,568,608**
LIABILITIES		
Accounts payable	11,891	3,784,135
Due to other governments	—	1,184
Benefits payable	1,604,419	1,177,908
Securities lending obligations	10,756,054	18,043,187
Loans payable	—	1,447,405
Other liabilities	646,148	265,373
Total liabilities	**13,018,512**	**24,719,192**
DEFERRED INFLOWS OF RESOURCES	—	27,080
Total liabilities and deferred inflows of resources	**13,018,512**	**24,746,272**
NET POSITION		
Restricted for pension benefits, pool participants, and other employee benefits	**$ 302,764,518**	**$ 191,822,336**

Pension Plans					
Judges' Retirement	**Judges' Retirement II**	**Legislators' Retirement**	**Deferred Compensation**	**Other Pension and Other Employee Benefit Trust**	**Total**
$ 1,918	$ 8,303	$ 757	$ 17,400	$ 50,477	$ 2,940,340
37,817	7	4	224,022	51,139	12,707,656
—	614,393	38,208	7,180,675	2,729,047	268,578,798
—	455,046	83,253	3,667,889	1,797,644	115,764,947
—	—	—	—	—	57,568,471
—	—	—	1,902,609	—	57,427,128
—	45,466	3,497	—	49,260	28,888,660
37,817	1,114,912	124,962	12,975,195	4,627,090	540,935,660
2,423	7,314	150	21,028	56,120	5,926,837
10	6	—	103	14	608,354
—	—	—	4	—	3,129
—	—	—	1,265	—	35,558
—	—	—	—	—	932,630
42,168	**1,130,535**	**125,869**	**13,014,995**	**4,733,701**	**551,382,508**
—	—	—	68	35	16,501
42,168	**1,130,535**	**125,869**	**13,015,063**	**4,733,736**	**551,399,009**
131	385	58	2,599	2,299	3,801,498
—	—	—	—	—	1,184
—	—	603	2,138	36,046	2,821,114
—	45,584	3,506	—	49,389	28,897,720
—	—	—	—	—	1,447,405
860	424	233	2,574	4,076	919,688
991	**46,393**	**4,400**	**7,311**	**91,810**	**37,888,609**
—	—	—	94	60	**27,234**
991	**46,393**	**4,400**	**7,405**	**91,870**	**37,915,843**
$ 41,177	**$ 1,084,142**	**$ 121,469**	**$ 13,007,658**	**$ 4,641,866**	**$ 513,483,166**

Combining Statement of Changes in Fiduciary Net Position

Fiduciary Funds and Similar Component Units – Pension and Other Employee Benefit Trust Funds

Year Ended June 30, 2015

(amounts in thousands)

	Defined Benefit	
	Public Employees' Retirement	**State Teachers' Retirement**
ADDITIONS		
Contributions:		
Employer	$ 10,079,467	$ 2,677,815
Plan member	3,724,310	2,509,712
Non-employer	—	1,425,796
Total contributions	13,803,777	6,613,323
Investment income:		
Net appreciation (depreciation) in fair value of investments	5,863,437	3,129,803
Interest, dividends, and other investment income	1,922,607	4,782,101
Less: investment expense	(1,096,570)	(300,260)
Net investment income	6,689,474	7,611,644
Other	13,523	3,935
Total additions	**20,506,774**	**14,228,902**
DEDUCTIONS		
Distributions to beneficiaries	18,922,292	12,476,893
Refunds of contributions	240,623	87,694
Administrative expense	340,880	154,088
Payments to and for depositors	—	—
Total deductions	**19,503,795**	**12,718,675**
Change in net position	1,002,979	1,510,227
Net position – beginning	**301,761,539**	**190,312,109** *
Net position – ending	**$ 302,764,518**	**$ 191,822,336**

* Restated

Pension Plans					
Judges' Retirement	**Judges' Retirement II**	**Legislators' Retirement**	**Deferred Compensation**	**Other Pension and Other Employee Benefit Trust**	**Total**
$ 180,910	$ 65,629	$ 590	$ 1,155	$ 1,745,389	$ 14,750,955
3,877	22,242	105	944,230	161,213	7,365,689
—	—	—	—	—	1,425,796
184,787	87,871	695	945,385	1,906,602	23,542,440
—	(2,432)	(72)	40,633	(19,279)	9,012,090
90	630	42	373,742	747	7,079,959
(2)	(599)	(64)	(495)	(1,854)	(1,399,844)
88	(2,401)	(94)	413,880	(20,386)	14,692,205
2,198	—	—	18,716	7,757	46,129
187,073	**85,470**	**601**	**1,377,981**	**1,893,973**	**38,280,774**
201,734	14,024	7,393	33,455	1,162,974	32,818,765
134	16	1,693	7,753	—	337,913
1,227	1,127	400	16,525	5,887	520,134
—	—	—	657,425	525,345	1,182,770
203,095	**15,167**	**9,486**	**715,158**	**1,694,206**	**34,859,582**
(16,022)	70,303	(8,885)	662,823	199,767	3,421,192
57,199	**1,013,839**	**130,354**	**12,344,835** *	**4,442,099** *	**510,061,974**
$ 41,177	**$ 1,084,142**	**$ 121,469**	**$ 13,007,658**	**$ 4,641,866**	**$ 513,483,166**

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Agency Funds

Agency funds account for the receipt and disbursement of various taxes, deposits, deductions, and property collected by the State, acting in the capacity of an agent, for distribution to other governmental units or other organizations. Following are brief descriptions of agency funds.

The **Receipting and Disbursing Fund** accounts for the collection and disbursement of revenues and receipts on behalf of local governments. This fund also accounts for receipts from many state funds, typically for the purpose of writing a single warrant when the warrant is funded by multiple funding sources.

The **Deposit Fund** accounts for various deposits, such as those from condemnation and litigation proceedings.

Other agency activity funds account for other assets held by the State, which acts as an agent for individuals, private organizations, and other governments.

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2015
(amounts in thousands)

	Receipting and Disbursing	Deposit	Other Agency Activities	Total
ASSETS				
Cash and pooled investments	$ 2,222,278	$ 2,580,812	$ 24,603	$ 4,827,693
Receivables (net)	1,809,534	115,601	1,511	1,926,646
Due from other funds	16,367,127	3,699	773	16,371,599
Due from other governments	33,852	4	—	33,856
Prepaid items	26,001	491	—	26,492
Loans receivable	—	—	6,459	6,459
Other assets	55	34	—	89
Total assets	**$ 20,458,847**	**$ 2,700,641**	**$ 33,346**	**$ 23,192,834**
LIABILITIES				
Accounts payable	$ 14,778,032	$ 105,739	$ 2,808	$ 14,886,579
Due to other governments	5,617,817	4,069	6,656	5,628,542
Tax overpayments	1,100	—	—	1,100
Revenues received in advance	26,639	697	—	27,336
Deposits	35,184	1,106,164	9,855	1,151,203
Other liabilities	75	1,483,972	14,027	1,498,074
Total liabilities	**$ 20,458,847**	**$ 2,700,641**	**$ 33,346**	**$ 23,192,834**

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Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year Ended June 30, 2015
(amounts in thousands)

Receipting and Disbursing Fund

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
ASSETS				
Cash and pooled investments	$ 2,190,374	$ 182,809,132	$ 182,777,228	$ 2,222,278
Receivables (net)	2,019,572	4,623,126	4,833,164	1,809,534
Due from other funds	20,690,185	22,554,755	26,877,813	16,367,127
Due from other governments	7,652	28,962	2,762	33,852
Prepaid items	28,734	26,002	28,735	26,001
Other assets	55	—	—	55
Total assets	**$ 24,936,572**	**$ 210,041,977**	**$ 214,519,702**	**$ 20,458,847**
LIABILITIES				
Accounts payable	$ 14,886,495	$ 53,919,440	$ 54,027,903	$ 14,778,032
Due to other governments	9,974,859	26,341,033	30,698,075	5,617,817
Tax overpayments	4,632	84,041	87,573	1,100
Revenues received in advance	21,053	26,637	21,051	26,639
Deposits	39,160	—	3,976	35,184
Other liabilities	10,373	—	10,298	75
Total liabilities	**$ 24,936,572**	**$ 80,371,151**	**$ 84,848,876**	**$ 20,458,847**

Deposit Fund

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
ASSETS				
Cash and pooled investments	$ 1,467,960	$ 19,676,449	$ 18,563,597	$ 2,580,812
Receivables (net)	108,472	194,077	186,948	115,601
Due from other funds	2,755	2,205	1,261	3,699
Due from other governments	10	15	21	4
Prepaid items	194	297	—	491
Other assets	38	15	19	34
Total assets	**$ 1,579,429**	**$ 19,873,058**	**$ 18,751,846**	**$ 2,700,641**
LIABILITIES				
Accounts payable	$ 52,793	$ 883,725	$ 830,779	$ 105,739
Due to other governments	2,329	1,787	47	4,069
Revenues received in advance	1,072	—	375	697
Deposits	940,470	985,912	820,218	1,106,164
Other liabilities	582,765	18,630,800	17,729,593	1,483,972
Total liabilities	**$ 1,579,429**	**$ 20,502,224**	**$ 19,381,012**	**$ 2,700,641**

Other Agency Activity Funds

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
ASSETS				
Cash and pooled investments	$ 23,893	$ 1,607	$ 897	$ 24,603
Receivables (net)	1,518	—	7	1,511
Due from other funds	769	76	72	773
Loans receivable	7,257	—	798	6,459
Total assets	**$ 33,437**	**$ 1,683**	**$ 1,774**	**$ 33,346**
LIABILITIES				
Accounts payable	$ 3,081	$ 5	$ 278	$ 2,808
Due to other governments	7,045	2	391	6,656
Deposits	7,973	1,882	—	9,855
Other liabilities	15,338	—	1,311	14,027
Total liabilities	**$ 33,437**	**$ 1,889**	**$ 1,980**	**$ 33,346**

Total Agency Funds

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
ASSETS				
Cash and pooled investments	$ 3,682,227	$ 202,487,188	$ 201,341,722	$ 4,827,693
Receivables (net)	2,129,562	4,817,203	5,020,119	1,926,646
Due from other funds	20,693,709	22,557,036	26,879,146	16,371,599
Due from other governments	7,662	28,977	2,783	33,856
Prepaid items	28,928	26,299	28,735	26,492
Loans receivable	7,257	—	798	6,459
Other assets	93	15	19	89
Total assets	**$ 26,549,438**	**$ 229,916,718**	**$ 233,273,322**	**$ 23,192,834**
LIABILITIES				
Accounts payable	$ 14,942,369	$ 54,803,170	$ 54,858,960	$ 14,886,579
Due to other governments	9,984,233	26,342,822	30,698,513	5,628,542
Tax overpayments	4,632	84,041	87,573	1,100
Revenues received in advance	22,125	26,637	21,426	27,336
Deposits	987,603	987,794	824,194	1,151,203
Other liabilities	608,476	18,630,800	17,741,202	1,498,074
Total liabilities	**$ 26,549,438**	**$ 100,875,264**	**$ 104,231,868**	**$ 23,192,834**

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Nonmajor Component Units

Nonmajor component units are legally separate entities that are discretely presented in the State's financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The inclusion of component units in the State's financial statements reflects the State's financial accountability for or relationships with these organizations such that exclusion would cause the State's financial statements to be misleading. Following are brief descriptions of the nonmajor consolidated component unit segments.

Financing authorities provide financing for transportation, business development and public improvements, and coastal and inland urban waterfront restoration projects. These agencies include: the California Alternative Energy and Advanced Transportation Financing Authority, the California Infrastructure and Economic Development Bank, and the California Urban Waterfront Area Restoration Financing Authority.

California State University Auxiliary organizations provide services primarily to university students through foundations, associated student organizations, student unions, food service entities, book stores, and similar organizations.

District agricultural associations were created to exhibit all of the industries, industrial enterprises, resources, and products of the State. The financial information presented is as of and for the year ended December 31, 2014.

Other component units provide legal education programs, financial assistance to businesses, and health benefits for state employees and annuitants. These entities include: the University of California Hastings College of the Law; the State Assistance Fund for Enterprise, Business and Industrial Development Corporation; and the Public Employees' Contingency Reserve.

Combining Statement of Net Position

Nonmajor Component Units

June 30, 2015
(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations
ASSETS		
Current assets:		
Cash and pooled investments	$ 5,261	$ 391,673
Investments	—	420,151
Restricted assets:		
Cash and pooled investments	214,345	—
Investments	—	—
Receivables (net)	19,719	378,618
Due from primary government	—	—
Prepaid items	—	—
Other current assets	—	58,504
Total current assets	239,325	1,248,946
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments	—	29,185
Investments	—	—
Investments	—	1,825,233
Receivables (net)	—	206,859
Loans receivable	294,992	—
Capital assets:		
Land	—	125,188
Collections – nondepreciable	—	9,959
Buildings and other depreciable property	21	1,171,758
Intangible assets – amortizable	—	9,260
Less: accumulated depreciation/amortization	(2)	(524,300)
Construction in progress	—	16,232
Intangible assets – nonamortizable	—	5,098
Other noncurrent assets	—	37,404
Total noncurrent assets	295,011	2,911,876
Total assets	**534,336**	**4,160,822**
DEFERRED OUTFLOWS OF RESOURCES	**4,876**	**10,091**
Total assets and deferred outflows of resources	**$ 539,212**	**$ 4,170,913**

District Agricultural Associations	Other Component Units	Total
$ 86,164	$ 666,133	$ 1,149,231
2,101	—	422,252
1,718	3,895	219,958
3,304	—	3,304
4,982	21,554	424,873
—	1,311	1,311
764	164	928
311	—	58,815
99,344	693,057	2,280,672
—	—	29,185
4,700	—	4,700
—	73,399	1,898,632
—	13,924	220,783
—	3,195	298,187
22,232	5,089	152,509
—	—	9,959
704,967	136,620	2,013,366
—	1,051	10,311
(438,791)	(53,233)	(1,016,326)
15,141	984	32,357
—	—	5,098
—	8,730	46,134
308,249	189,759	3,704,895
407,593	**882,816**	**5,985,567**
—	**11,603**	**26,570**
$ 407,593	**$ 894,419**	**$ 6,012,137**

(continued)

Combining Statement of Net Position (continued)

Nonmajor Component Units

June 30, 2015
(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations
LIABILITIES		
Current liabilities:		
Accounts payable	$ 1,083	$ 79,094
Due to other governments	2	—
Revenues received in advance	—	68,873
Deposits	—	—
Contracts and notes payable	—	26,065
Interest payable	1,126	—
Current portion of long-term obligations	5,995	229,048
Other current liabilities	20,453	86,051
Total current liabilities	28,659	489,131
Noncurrent liabilities:		
Compensated absences payable	315	2,801
Workers' compensation benefits payable	—	56,860
Certificates of participation, commercial paper, and other borrowings	—	2,424
Capital lease obligations	—	353,906
Revenue bonds payable	202,296	52,190
Net other postemployment benefits obligation	1,290	84,993
Net pension liability	4,288	71,132
Other noncurrent liabilities	17,259	386,766
Total noncurrent liabilities	225,448	1,011,072
Total liabilities	**254,107**	**1,500,203**
DEFERRED INFLOWS OF RESOURCES	**811**	**15,898**
Total liabilities and deferred inflows of resources	**254,918**	**1,516,101**
NET POSITION		
Net investment in capital assets	—	191,711
Restricted:		
Nonexpendable – endowments	—	981,900
Expendable:		
Endowments and gifts	—	—
Education	—	914,518
Statute	281,788	—
Other purposes	2,506	—
Total expendable	284,294	914,518
Unrestricted	—	566,683
Total net position	**284,294**	**2,654,812**
Total liabilities, deferred inflows of resources, and net position	**$ 539,212**	**$ 4,170,913**

District Agricultural Associations	Other Component Units	Total
$ 6,918	$ 609,206	$ 696,301
—	—	2
4,307	1,217	74,397
866	435	1,301
104	349	26,518
481	—	1,607
2,016	51,575	288,634
2,909	9,280	118,693
17,601	672,062	1,207,453
8,833	474	12,423
331	—	57,191
—	—	2,424
1	—	353,907
24,320	21,125	299,931
7,005	15,716	109,004
—	24,207	99,627
13,489	19,601	437,115
53,979	81,123	1,371,622
71,580	**753,185**	**2,579,075**
—	**14,231**	**30,940**
71,580	**767,416**	**2,610,015**
270,684	68,766	531,161
—	22,124	1,004,024
—	10,203	10,203
—	18,079	932,597
—	—	281,788
13,222	364	16,092
13,222	28,646	1,240,680
52,107	7,467	626,257
336,013	**127,003**	**3,402,122**
$ 407,593	**$ 894,419**	**$ 6,012,137**

(concluded)

Combining Statement of Activities

Nonmajor Component Units

Year Ended June 30, 2015

(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations
OPERATING EXPENSES		
Personal services	$ 2,485	$ 364,547
Scholarships and fellowships	—	48,640
Supplies	—	—
Services and charges	3,416	1,067,195
Depreciation	2	49,726
Interest expense and fiscal charges	4,632	25,121
Other	—	74,786
Total operating expenses	**10,535**	**1,630,015**
PROGRAM REVENUES		
Charges for services	1,585	716,467
Operating grants and contributions	861	531,882
Capital grants and contributions	—	38,216
Total program revenues	**2,446**	**1,286,565**
Net revenues (expenses)	(8,089)	(343,450)
GENERAL REVENUES		
Investment and interest income	10,005	16,344
Other	1,067	409,408
Total general revenues	**11,072**	**425,752**
Change in net position	2,983	82,302
Net position – beginning	**281,311** *	**2,572,510** *
Net position – ending	**$ 284,294**	**$ 2,654,812**

* Restated

District Agricultural Associations	Other Component Units		Total
$ 102,941	$ 35,939		$ 505,912
—	3,630		52,270
—	11,221		11,221
103,360	31,872		1,205,843
19,270	3,175		72,173
1,058	1,029		31,840
1,747	7,710		84,243
228,376	**94,576**		**1,963,502**
225,618	65,812		1,009,482
—	13,545		546,288
179	925		39,320
225,797	**80,282**		**1,595,090**
(2,579)	(14,294)		(368,412)
53	6,671		33,073
3,978	8,858		423,311
4,031	**15,529**		**456,384**
1,452	1,235		87,972
334,561	**125,768**	*	**3,314,150**
$ 336,013	**$ 127,003**		**$ 3,402,122**

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Statistical Section

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Financial Trends

Financial trend schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time. This section includes the following financial trend schedules.

Schedule of Net Position by Component

Schedule of Changes in Net Position

Schedule of Fund Balances – Governmental Funds

Schedule of Changes in Fund Balances – Governmental Funds

Sources: The information in the following schedules is derived from the State's Comprehensive Annual Financial Reports.

Schedule of Net Position by Component

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2006	2007	2008	2009
Governmental activities				
Net investment in capital assets	$ 83,489,137	$ 81,352,744	$ 84,255,048	$ 83,285,184
Restricted – Expendable	8,431,279	10,543,602	10,148,648	8,391,814
Unrestricted [1]	(54,710,847)	(56,519,478)	(69,346,950)	(86,302,434)
Total governmental activities net position (deficit)	**$ 37,209,569**	**$ 35,376,868**	**$ 25,056,746**	**$ 5,374,564**
Business-type activities				
Net investment in capital assets	$ 818,405	$ 208,268	$ 49,510	$ (130,634)
Restricted – Nonexpendable	—	—	—	—
Restricted – Expendable	8,722,865	8,574,932	6,853,621	3,855,051
Unrestricted	1,801,304	2,430,492	3,009,297	717,740
Total business-type activities net position (deficit)	**$ 11,342,574**	**$ 11,213,692**	**$ 9,912,428**	**$ 4,442,157**
Primary government				
Net investment in capital assets	$ 84,307,542	$ 81,561,012	$ 84,304,558	$ 83,154,550
Restricted – Nonexpendable	—	—	—	—
Restricted – Expendable	17,154,144	19,118,534	17,002,269	12,246,865
Unrestricted	(52,909,543)	(54,088,986)	(66,337,653)	(85,584,694)
Total primary government net position (deficit)	**$ 48,552,143**	**$ 46,590,560**	**$ 34,969,174**	**$ 9,816,721**

[1] Governmental activities' unrestricted net position reflects a negative balance because of outstanding bonded debt issued to build capital assets for school districts and other local governmental entities.

[2] In fiscal year 2011, the net position of governmental activities and business-type activities changed primarily as a result of the reclassification of the $1.2 billion beginning net position of the California State University Fund from a governmental fund to an enterprise fund.

[3] In fiscal year 2014, the net position of governmental activities and business-type activities changed primarily as a result of the reclassification of the $380 million beginning net position of the Public Buildings Construction Fund from an enterprise fund to an internal service fund.

[4] In fiscal year 2015, the net position of governmental activities and business-type activities significantly decreased as a result of implementing GASB Statements No. 68 and No. 71 requiring the recognition of net pension liability and related pension expense and deferred outflows and inflows of resources.

2010	2011 [2]	2012	2013	2014 [3]	2015 [4]
$ 84,085,632	$ 85,460,957	$ 80,768,527	$ 84,931,030	$ 94,001,659	$ 100,694,652
14,987,867	27,865,821	24,871,510	24,315,913	24,950,740	26,632,502
(103,272,097)	(123,783,314)	(123,897,753)	(117,383,903)	(116,948,128)	(169,744,967)
$ (4,198,598)	**$ (10,456,536)**	**$ (18,257,716)**	**$ (8,136,960)**	**$ 2,004,271**	**$ (42,417,813)**
$ 89,334	$ 1,382,957	$ 1,561,258	$ 1,718,648	$ 2,065,550	$ 2,278,252
—	21,812	21,584	20,627	16,219	13,448
3,404,682	3,615,945	4,571,036	5,151,915	4,897,314	4,523,496
(4,250,609)	(4,214,494)	(3,346,849)	(2,824,738)	(1,661,692)	(5,360,817)
$ (756,593)	**$ 806,220**	**$ 2,807,029**	**$ 4,066,452**	**$ 5,317,391**	**$ 1,454,379**
$ 84,174,966	$ 86,843,914	$ 82,329,785	$ 86,649,678	$ 96,067,209	$ 102,972,904
—	21,812	21,584	20,627	16,219	13,448
18,392,549	31,481,766	29,442,546	29,467,828	29,848,054	31,155,998
(107,522,706)	(127,997,808)	(127,244,602)	(120,208,641)	(118,609,820)	(175,105,784)
$ (4,955,191)	**$ (9,650,316)**	**$ (15,450,687)**	**$ (4,070,508)**	**$ 7,321,662**	**$ (40,963,434)**

Schedule of Changes in Net Position

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2006	2007	2008	2009
Governmental activities				
Expenses				
General government [1]	$ 10,379,122	$ 14,261,590	$ 13,187,080	$ 13,895,948
Education	62,652,997	61,542,105	65,130,420	65,643,486
Health and human services	65,763,380	69,979,980	74,309,784	79,077,015
Resources	4,161,814	5,316,769	6,333,252	5,626,359
State and consumer services	595,602	1,214,740	1,129,063	1,518,402
Business and transportation	8,809,236	9,763,200	13,068,043	11,980,315
Correctional programs	7,299,124	8,945,325	10,504,182	10,835,203
Interest on long-term debt	2,893,537	2,596,316	4,184,631	3,801,283
Total expenses	**162,554,812**	**173,620,025**	**187,846,455**	**192,378,011**
Program revenues				
Charges for services:				
General government [1]	4,620,030	4,495,166	4,404,126	4,781,126
Education	3,360,919	2,689,906	3,343,205	3,483,072
Health and human services	4,554,673	4,751,011	5,191,548	4,256,069
Resources	2,198,886	2,110,593	2,648,952	2,578,738
State and consumer services	640,088	704,512	692,348	658,486
Business and transportation	3,776,098	4,040,268	3,987,958	4,210,461
Correctional programs	37,203	30,821	27,702	21,592
Operating grants/contributions	42,254,065	43,440,102	45,849,413	57,828,622
Capital grants/contributions	1,272,506	1,164,526	1,207,101	1,142,691
Total program revenues	**62,714,468**	**63,426,905**	**67,352,353**	**78,960,857**
Total governmental activities net program expenses	**(99,840,344)**	**(110,193,120)**	**(120,494,102)**	**(113,417,154)**
General revenues and other changes in net position				
General revenues:				
Personal income taxes	51,251,266	53,272,229	55,355,266	45,709,344
Sales and use taxes	34,162,177	35,427,013	34,856,824	31,244,979
Corporation taxes	10,735,792	11,211,267	11,207,468	10,741,140
Motor vehicle excise taxes [2]	—	—	—	—
Insurance taxes	2,212,916	2,165,567	2,190,870	2,063,555
Other taxes [2]	2,099,075	5,939,890	5,594,970	5,264,685
Investment and interest	504,655	730,066	639,059	175,584
Escheat	291,549	334,002	282,287	315,642
Transfers	23,259	29,855	54,994	21,015
Special item [3]	1,218,311	—	—	—
Total general revenues and other changes in net position	**102,499,000**	**109,109,889**	**110,181,738**	**95,535,944**
Total governmental activities change in net position	**$ 2,658,656**	**$ (1,083,231)**	**$ (10,312,364)**	**$ (17,881,210)**

[1] Tax relief program expenses and revenues reported separately prior to fiscal year 2009 are now included with "general government."

[2] Motor vehicle excise taxes, reported separately in fiscal year 2012 due to material increases, were included with "other taxes" in prior years.

[3] In fiscal year 2006, a related organization assumed debt on the State's behalf. In fiscal year 2014, a component unit assumed debt on behalf of the primary government.

[4] In fiscal year 2011, the California State University Fund was reclassified from a governmental fund to an enterprise fund.

[5] In fiscal year 2014, the Public Buildings Construction Fund was reclassified from an enterprise fund to an internal service fund.

2010	2011 [4]	2012	2013	2014 [5]	2015
$ 12,454,969	$ 13,520,557	$ 14,411,737	$ 15,390,100	$ 14,292,179	$ 15,804,281
61,764,385	56,486,944	51,288,647	50,586,387	54,719,677	59,521,018
80,799,454	92,475,364	89,939,730	94,069,749	105,037,102	122,063,805
6,019,104	5,853,278	5,950,635	5,670,922	5,854,685	6,419,591
979,962	1,405,019	1,241,269	1,475,486	589,715	903,782
14,155,767	11,119,644	13,719,927	12,836,192	13,427,229	12,897,591
10,310,229	10,295,564	10,343,574	10,081,736	11,234,705	11,483,573
4,146,259	4,377,064	4,365,181	4,349,632	4,699,265	4,880,625
190,630,129	**195,533,434**	**191,260,700**	**194,460,204**	**209,854,557**	**233,974,266**
4,918,132	5,057,082	6,841,334	6,196,586	5,994,608	6,502,363
4,231,692	110,423	81,212	64,480	67,165	53,498
3,769,794	8,471,261	4,940,650	8,761,781	7,961,897	8,259,696
2,597,712	2,797,264	2,866,232	3,269,315	3,403,524	4,546,413
654,034	660,196	724,222	682,503	586,055	626,960
5,420,261	4,010,433	4,342,668	4,082,616	4,247,258	4,382,901
18,097	14,981	16,757	45,153	13,645	18,557
75,469,783	67,849,215	58,777,006	60,943,536	69,861,130	84,896,237
962,388	1,272,326	2,193,189	1,669,021	1,515,890	1,319,430
98,041,893	**90,243,181**	**80,783,270**	**85,714,991**	**93,651,172**	**110,606,055**
(92,588,236)	**(105,290,253)**	**(110,477,430)**	**(108,745,213)**	**(116,203,385)**	**(123,368,211)**
43,866,857	51,719,107	54,368,347	67,502,738	68,793,292	78,098,865
33,784,106	33,521,221	31,216,438	33,839,065	36,477,724	38,224,080
9,472,611	9,384,416	8,629,935	7,289,910	9,102,128	10,720,647
—	—	5,263,435	5,219,605	5,777,167	5,393,994
2,235,251	2,311,880	2,408,473	2,295,579	3,359,043	3,926,319
5,234,531	7,768,010	2,368,748	2,498,248	2,302,231	2,235,498
114,933	62,946	72,237	57,285	80,969	58,016
149,996	229,146	372,215	551,580	487,937	400,807
(13,441,875)	(3,251,598)	(2,031,032)	(1,997,759)	(2,296,010)	(2,554,970)
—	—	—	—	(54,537)	—
81,416,410	**101,745,128**	**102,668,796**	**117,256,251**	**124,029,944**	**136,503,256**
$ (11,171,826)	**$ (3,545,125)**	**$ (7,808,634)**	**$ 8,511,038**	**$ 7,826,559**	**$ 13,135,045**

(continued)

Schedule of Changes in Net Position (continued)

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2006	2007	2008	2009
Business-type activities				
Expenses				
Electric Power	$ 5,342,000	$ 5,865,000	$ 5,362,000	$ 4,560,000
Water Resources	949,691	951,590	1,009,214	914,837
Public Buildings Construction [5]	334,094	334,777	371,904	420,465
State Lottery	3,911,717	3,470,615	3,173,060	3,069,365
Unemployment Programs	8,584,521	9,136,218	10,622,582	19,609,068
California State University [4]	—	—	—	—
High Technology Education	30,871	22,704	16,916	15,590
Toll Facilities	18,265	—	—	—
State University Dormitory Building Maintenance and Equipment	491,914	844,798	699,018	486,349
State Water Pollution Control Revolving	20,427	12,702	13,056	12,261
Housing Loan	138,988	127,206	132,101	130,777
Other enterprise programs	113,976	141,859	122,921	147,441
Total expenses	**19,936,464**	**20,907,469**	**21,522,772**	**29,366,153**
Program revenues				
Charges for services:				
Electric Power	5,342,000	5,865,000	5,362,000	4,560,000
Water Resources	949,691	951,590	1,009,214	914,837
Public Buildings Construction [5]	384,442	396,895	384,816	366,151
State Lottery	3,740,041	3,461,699	3,242,828	3,051,320
Unemployment Programs	10,263,447	9,017,969	8,829,018	14,273,975
California State University [4]	—	—	—	—
High Technology Education	26,508	22,966	20,600	15,975
Toll Facilities	21	—	—	—
State University Dormitory Building Maintenance and Equipment	512,231	554,851	640,208	811,454
State Water Pollution Control Revolving	64,740	78,564	71,404	59,923
Housing Loan	127,733	130,293	130,139	109,636
Other enterprise programs	129,048	134,018	137,476	124,952
Operating grants/contributions	—	—	—	—
Capital grants/contributions	56,942	182,989	189,064	71,882
Total program revenues	**21,596,844**	**20,796,834**	**20,016,767**	**24,360,105**
Total business-type activities net program revenues (expenses)	**1,660,380**	**(110,635)**	**(1,506,005)**	**(5,006,048)**
Other changes in net position				
Transfers	(23,259)	(29,855)	(54,994)	(21,015)
Special item [3]	—	—	—	—
Total business-type activities change in net position	**1,637,121**	**(140,490)**	**(1,560,999)**	**(5,027,063)**
Total primary government change in net position	**$ 4,295,777**	**$ (1,223,721)**	**$ (11,873,363)**	**$ (22,908,273)**

2010	2011	2012	2013	2014	2015
$ 3,908,000	$ 2,317,000	$ 915,000	$ 488,000	$ 835,000	$ 799,000
1,069,662	1,115,793	1,047,574	1,127,195	983,048	1,019,378
494,332	390,173	403,853	410,404	—	—
3,166,447	3,507,524	4,431,709	4,499,451	5,078,935	5,560,299
29,614,598	25,619,138	21,111,658	17,599,219	13,673,403	11,390,227
—	5,851,355	6,181,397	6,196,541	6,544,936	6,847,789
15,025	9,590	7,778	6,568	847	—
—	—	—	—	—	—
856,106	—	—	—	—	—
16,893	10,953	8,780	3,698	5,072	9,082
122,114	104,667	89,570	70,356	57,206	58,280
130,329	118,006	78,601	58,578	79,641	77,475
39,393,506	**39,044,199**	**34,275,920**	**30,460,010**	**27,258,088**	**25,761,530**
3,908,000	2,317,000	915,000	488,000	835,000	799,000
1,069,662	1,115,793	1,047,574	1,127,195	983,048	1,019,378
430,069	456,467	428,260	616,041	—	—
3,145,259	3,484,689	4,484,291	4,445,921	5,077,976	5,553,418
11,255,098	24,678,783	21,947,781	18,597,962	15,167,258	13,402,902
—	2,505,545	2,915,123	2,891,432	3,014,030	3,113,988
13,015	10,498	8,452	5,585	424	—
—	—	—	—	—	—
599,571	—	—	—	—	—
56,121	55,957	57,540	60,173	62,985	65,959
85,321	89,224	84,830	66,050	65,247	57,742
98,957	105,676	74,693	80,540	77,671	78,625
—	1,216,808	1,249,995	1,323,345	1,491,559	1,666,292
91,808	86,272	106,057	142,304	80,903	107,746
20,752,881	**36,122,712**	**33,319,596**	**29,844,548**	**26,856,101**	**25,865,050**
(18,640,625)	**(2,921,487)**	**(956,324)**	**(615,462)**	**(401,987)**	**103,520**
13,441,875	3,251,598	2,031,032	1,997,759	2,296,010	2,554,970
—	—	—	—	(26,913)	—
(5,198,750)	**330,111**	**1,074,708**	**1,382,297**	**1,867,110**	**2,658,490**
$ (16,370,576)	**$ (3,215,014)**	**$ (6,733,926)**	**$ 9,893,335**	**$ 9,693,669**	**$ 15,793,535**

(concluded)

Schedule of Fund Balances – Governmental Funds

For the Past Ten Fiscal Years

(modified accrual basis of accounting, amounts in thousands)

	2006	2007	2008	2009
General Fund				
Reserved	$ 1,999,953	$ 2,596,537	$ 2,113,149	$ 2,260,504
Unreserved	672,862	(4,504,075)	(6,282,018)	(18,344,400)
Nonspendable	—	—	—	—
Restricted	—	—	—	—
Committed	—	—	—	—
Unassigned	—	—	—	—
Total General Fund	**$ 2,672,815**	**$ (1,907,538)**	**$ (4,168,869)**	**$ (16,083,896)**
All other governmental funds				
Reserved	$ 16,198,481	$ 21,955,300	$ 19,512,083	$ 27,465,566
Unreserved, reported in:				
Special revenue funds	(806,558)	(914,843)	(1,817,290)	(3,539,254)
Capital projects funds	(882,550)	(1,128,608)	(837,349)	686,113
Nonspendable	—	—	—	—
Restricted	—	—	—	—
Committed	—	—	—	—
Assigned	—	—	—	—
Unassigned	—	—	—	—
Total all other governmental funds	**$ 14,509,373**	**$ 19,911,849**	**$ 16,857,444**	**$ 24,612,425**

Note: In fiscal year 2011, the State implemented GASB Statement No. 54, which significantly changed the fund balance classifications. Fiscal year 2011 and subsequent fund balance classifications are not comparable to prior years' classifications.

[1] In fiscal year 2011, the California State University Fund, which consisted of $1.2 billion beginning fund balance, was reclassified from a governmental fund to an enterprise fund.

2010	2011 [1]	2012	2013	2014	2015
$ 1,320,782	$ —	$ —	$ —	$ —	$ —
(20,929,640)	—	—	—	—	—
—	148,019	7,614	140,107	128,609	53,431
—	156,496	80,849	178,643	394,246	2,266,635
—	29,850	19,600	22,879	125,120	102,793
—	(20,273,606)	(23,069,351)	(14,596,085)	(8,092,571)	(4,651,491)
$ (19,608,858)	**$ (19,939,241)**	**$ (22,961,288)**	**$ (14,254,456)**	**$ (7,444,596)**	**$ (2,228,632)**
$ 41,087,578	$ —	$ —	$ —	$ —	$ —
(8,554,611)	—	—	—	—	—
838,879	—	—	—	—	—
—	39,448	—	15,022	27,260	5,620
—	27,709,325	24,790,661	24,137,270	24,269,093	24,224,167
—	2,701,702	2,109,089	2,318,035	2,914,747	4,090,563
—	268,888	3	209,171	18,857	16,767
—	(21,847)	(103,177)	(176,066)	(20,145)	(6,456)
$ 33,371,846	**$ 30,697,516**	**$ 26,796,576**	**$ 26,503,432**	**$ 27,209,812**	**$ 28,330,661**

Schedule of Changes in Fund Balances – Governmental Funds

For the Past Ten Fiscal Years

(modified accrual basis of accounting, amounts in thousands)

	2006	2007	2008	2009
Revenues				
Personal income taxes	$ 50,798,418	$ 53,289,524	$ 55,197,062	$ 45,482,726
Sales and use taxes	34,300,402	35,451,311	34,764,651	31,425,308
Corporation taxes	10,709,792	11,210,267	11,201,468	10,738,140
Motor vehicle excise taxes [1]	—	—	—	—
Insurance taxes	2,212,916	2,165,567	2,190,870	2,063,555
Other taxes [1]	2,367,670	5,800,027	5,675,894	5,245,416
Intergovernmental	45,466,185	46,442,519	48,969,006	61,053,091
Licenses and permits	5,125,223	5,266,142	5,326,854	5,805,369
Charges for services	1,002,410	911,387	1,025,569	986,773
Fees and penalties	6,008,306	6,093,948	6,800,633	6,204,288
Investment and interest	1,058,119	1,555,202	1,591,025	1,108,058
Escheat	291,549	334,002	282,287	315,642
Other	4,518,621	3,732,591	4,265,010	3,933,035
Total revenues	**163,859,611**	**172,252,487**	**177,290,329**	**174,361,401**
Expenditures				
General government [2]	9,394,308	14,062,920	12,745,860	13,075,901
Education	59,768,677	61,103,008	64,367,612	63,857,066
Health and human services	65,968,433	70,157,806	74,102,708	78,731,136
Resources	4,296,715	5,191,078	6,123,609	5,209,684
State and consumer services	1,111,128	1,214,752	1,239,397	1,266,068
Business and transportation	10,370,589	11,485,069	14,747,506	13,803,518
Correctional programs	7,552,790	9,030,299	9,972,507	9,883,593
Capital outlay	2,128,050	1,345,021	1,724,074	1,432,376
Debt service:				
Bond and commercial paper retirement	6,375,607	5,691,791	8,970,533	5,131,600
Interest and fiscal charges	3,135,763	2,881,849	3,394,433	3,584,358
Total expenditures	**170,102,060**	**182,163,593**	**197,388,239**	**195,975,300**
Excess (deficiency) of revenues over (under) expenditures	(6,242,449)	(9,911,106)	(20,097,910)	(21,613,899)
Other financing sources (uses)				
General obligation bonds and commercial paper issued	7,750,500	9,040,500	14,193,760	16,764,085
Revenue bonds issued	—	—	—	97,635
Refunding/remarketing debt issued	5,086,944	9,098,376	1,798,685	—
Payment to refund/remarket long-term debt	(4,561,944)	(7,840,621)	(1,844,006)	—
Premium on bonds issued [3]	—	—	295,439	126,107
Proceeds from loans	—	—	—	—
Capital leases [4]	748,037	178,936	268,686	364,813
Transfers in	5,137,895	9,311,462	11,414,132	6,776,476
Transfers out	(5,113,107)	(9,242,771)	(11,336,764)	(6,689,658)
Total other financing sources	**9,048,325**	**10,545,882**	**14,789,932**	**17,439,458**
Total change in fund balance	**$ 2,805,876**	**$ 634,776**	**$ (5,307,978)**	**$ (4,174,441)**
Debt service as a percentage of noncapital expenditures	5.7%	4.7%	6.3%	4.5%

[1] Motor vehicle excise taxes, reported separately in fiscal year 2012 due to material increases, were included with "other taxes" in prior years.

[2] Tax relief program expenditures reported separately prior to fiscal year 2009 are now included with general government.

[3] Prior to fiscal year 2008, premiums on bonds issued were netted against debt service interest and fiscal charges.

[4] In fiscal year 2011, the California State University Fund was reclassified from a governmental fund to an enterprise fund.

2010	2011 [4]	2012	2013	2014	2015
$ 43,884,798	$ 51,691,153	$ 54,442,733	$ 67,424,576	$ 68,771,667	$ 78,245,616
33,696,412	33,488,805	31,205,183	33,869,961	36,409,311	38,389,972
9,467,611	9,433,416	8,609,935	7,261,910	9,242,454	10,780,647
—	—	5,263,435	5,219,605	5,777,167	5,393,994
2,235,251	2,311,881	2,408,473	2,295,579	3,359,043	3,926,319
5,235,801	7,829,662	2,306,717	2,425,184	2,297,025	2,312,875
79,183,291	69,160,916	62,235,671	64,418,808	73,000,600	87,740,667
6,900,747	6,767,437	6,600,001	6,659,078	6,957,117	7,270,994
974,181	1,008,647	728,980	741,201	769,302	849,895
7,291,894	10,262,387	8,315,452	10,673,104	9,757,476	10,510,727
281,881	212,116	175,898	135,928	137,754	119,690
149,996	229,146	372,215	551,580	488,945	406,899
3,555,282	2,941,484	2,542,505	3,227,347	2,903,335	3,975,144
192,857,145	**195,337,050**	**185,207,198**	**204,903,861**	**219,871,196**	**249,923,439**
12,036,503	12,997,651	13,484,305	15,748,069	14,778,214	16,202,395
59,229,726	55,547,139	50,362,337	49,692,763	53,309,436	62,952,621
80,321,470	91,941,309	89,473,391	94,621,630	104,781,494	122,259,036
5,456,904	5,254,757	5,358,575	5,318,332	5,508,860	6,006,446
1,088,494	1,183,536	1,219,499	1,259,392	621,037	670,774
14,083,790	13,181,390	15,684,611	15,008,671	15,721,532	15,137,217
9,553,992	9,253,791	9,805,846	9,681,086	10,395,234	11,182,926
1,691,674	1,128,011	1,296,413	1,222,342	1,909,010	1,019,335
3,259,203	3,118,906	4,435,992	5,189,150	7,002,941	8,482,380
4,022,922	4,355,110	4,453,643	4,363,260	4,321,040	4,473,799
190,744,678	**197,961,600**	**195,574,612**	**202,104,695**	**218,348,798**	**248,386,929**
2,112,467	(2,624,550)	(10,367,414)	2,799,166	1,522,398	1,536,510
12,039,472	4,525,000	4,165,515	4,038,095	5,082,305	4,343,165
—	—	—	—	—	—
4,176,050	—	4,300,555	4,634,365	2,077,330	5,086,100
(4,221,604)	—	(4,508,834)	(3,174,613)	(328,024)	(3,865,093)
267,980	32,607	667,931	964,211	505,026	1,116,811
1,996,737	35,538	—	—	—	—
811,816	204,631	528,804	710,440	1,486,204	625,282
6,548,447	8,705,229	5,523,644	2,957,762	4,041,250	5,344,134
(19,952,766)	(11,902,800)	(7,499,131)	(4,898,754)	(6,304,047)	(7,934,754)
1,666,132	**1,600,205**	**3,178,484**	**5,231,506**	**6,560,044**	**4,715,645**
$ 3,778,599	**$ (1,024,345)**	**$ (7,188,930)**	**$ 8,030,672**	**$ 8,082,442**	**$ 6,252,155**
3.9%	3.8%	4.6%	4.8%	5.2%	5.2%

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Revenue Capacity

Revenue capacity schedules contain information to help the reader assess the State's capacity to raise revenue and the sources of that revenue. This section includes the following revenue capacity schedules.

Schedule of Revenue Base

Schedule of Revenue Payers by Industry/Income Level

Schedule of Personal Income Tax Rates

Schedule of Revenue Base

For the Past Ten Calendar Years

(amounts in thousands)

	2005	2006	2007	2008
Personal Income by Industry (all items restated as footnoted) [1]				
Farm earnings	$ 12,293,563	$ 10,502,902	$ 12,862,117	$ 10,766,257
Forestry, fishing, and other natural resources	5,297,340	6,066,166	6,233,699	6,187,051
Mining	3,424,432	4,165,677	4,176,102	6,137,953
Construction and utilities	83,625,469	88,987,518	84,582,353	76,445,719
Manufacturing	117,178,686	122,230,122	124,761,057	122,428,281
Wholesale trade	50,654,666	54,567,859	58,438,881	57,837,584
Retail trade	73,229,969	75,214,254	75,601,717	69,458,834
Transportation and warehousing	30,156,650	31,592,849	32,801,341	32,256,160
Information, finance, and insurance	123,795,537	128,340,864	131,366,347	126,010,535
Real estate	29,891,241	27,965,840	21,311,535	21,821,327
Services	361,118,487	389,562,325	409,727,938	429,018,004
Federal, civilian	20,752,518	20,978,437	21,578,358	22,347,584
Military	12,363,039	12,812,404	13,447,304	14,560,197
State and local government	155,244,124	164,416,341	176,638,739	185,038,204
Other [2]	319,926,857	364,427,649	391,815,515	422,435,111
Total personal income	**$ 1,398,952,578**	**$ 1,501,831,207**	**$ 1,565,343,003**	**$ 1,602,748,801**
Average effective rate [3]	4.6%	5.1%	5.0%	5.7%

Source: Bureau of Economic Analysis, U.S. Department of Commerce

[1] 2005-2013 information updated.

[2] Other personal income includes dividends, interest, rental income, residence adjustment, government transfers for individuals, and deductions for social insurance.

[3] The total direct rate for personal income is not available. The average effective rate equals personal income tax revenue divided by adjusted gross income.

2009	2010	2011	2012	2013	2014
$ 11,973,440	$ 12,433,312	$ 14,373,226	$ 15,953,332	$ 18,767,437	$ 18,560,552
6,127,860	6,688,211	6,900,901	7,743,716	8,076,643	8,659,023
4,001,858	5,050,332	6,134,672	6,911,286	7,013,354	7,385,126
63,216,733	58,750,008	60,811,474	65,928,561	70,797,118	75,576,543
113,614,593	116,160,042	120,509,059	125,072,129	126,048,200	132,615,238
52,413,990	53,651,640	57,504,570	60,311,839	62,616,627	66,144,195
66,365,074	67,715,988	70,779,805	74,234,215	75,894,902	78,534,752
30,368,585	31,087,284	33,824,998	35,135,030	37,043,358	38,833,012
121,932,283	125,369,696	129,712,308	141,119,181	153,349,567	161,835,867
19,921,652	20,855,431	25,097,591	39,569,936	42,279,138	43,788,740
412,103,397	423,008,875	450,544,104	487,634,028	499,309,509	530,499,047
23,426,267	25,978,417	26,293,383	26,445,830	26,115,850	26,693,256
15,558,704	16,264,215	16,059,376	15,919,310	15,310,087	15,085,749
184,143,378	184,921,413	189,223,878	188,589,329	194,043,006	202,399,507
411,968,541	435,511,866	483,233,158	521,746,921	512,840,700	532,917,049
$ 1,537,136,355	**$ 1,583,446,730**	**$ 1,691,002,503**	**$ 1,812,314,643**	**$ 1,849,505,496**	**$ 1,939,527,656**
5.2%	4.7%	5.3%	5.0%	6.1%	5.6%

(continued)

Schedule of Revenue Base (continued)

For the Past Ten Calendar Years

(amounts in thousands)

	2005	2006	2007	2008
Taxable Sales by Industry [1]				
Retail				
Apparel	$ 18,712,125	$ 19,829,416	$ 20,855,890	$ 22,120,094
General merchandise	56,787,153	59,264,894	59,897,350	56,425,472
Specialty	52,376,758	54,695,680	34,122,471	27,380,740
Food	21,128,469	21,864,179	22,461,059	21,504,308
Restaurant and bars	46,412,847	49,229,418	51,658,575	52,051,404
Household	17,388,704	17,383,449	16,720,852	17,199,187
Building materials	36,152,218	36,163,326	32,656,324	26,647,007
Automotive	112,167,922	115,154,535	117,864,918	106,555,420
Other	14,681,929	15,481,675	30,787,663	27,434,795
Business and personal service	23,090,910	23,650,322	23,355,672	22,045,958
All other	138,005,393	146,935,543	150,669,375	152,289,155
Total taxable sales	**$ 536,904,428**	**$ 559,652,437**	**$ 561,050,149**	**$ 531,653,540**
Direct sales tax rate [2]	5.25%	5.25%	5.25%	5.25%
Taxable Sales by Industry (Using NAICS Codes) [1]				
Retail and Food Services				
Motor vehicle and parts dealers				
Furniture and home furnishings stores				
Electronics and appliance stores				
Building materials, garden equipment and supplies				
Food and beverage				
Health and personal care stores				
Gasoline stations				
Clothing and clothing accessories stores				
Sporting goods, hobby, book and music stores				
General merchandise stores				
Miscellaneous store retailers				
Nonstore retailers				
Food services and drinking places				
All other outlets				
Total taxable sales				
Direct sales tax rate [2]				

Source: California State Board of Equalization (BOE)

[1] Due to the BOE's conversion from business coding to North American Industry Classification System (NAICS) coding for the reporting of Taxable Sales by Industry, industry level data for 2009 and forward is not comparable to that reported for prior years. The NAICS conversion process for over one million permit holders was not completed until the end of 2008, so 2009 was the first year the BOE used the new format with NAICS codes.

[2] The direct sales tax rate used is the state tax rate that provides revenue to the State's General Fund and debt service fund. It does not include the 1% local tax rate that is allocated to cities and counties.

[3] Rate change was effective on April 1, 2009.

[4] Rate change was effective on January 1, 2013.

[5] 2014 sales tax includes the first three quarters only.

2009 [1]	2010	2011	2012	2013	2014 [5]
$ 44,488,198	$ 47,355,568	$ 53,303,501	$ 61,547,848	$ 67,986,436	$ 54,729,606
8,481,020	8,742,984	9,280,688	9,937,187	10,645,523	8,290,335
13,384,338	13,749,019	14,297,402	14,744,723	14,765,485	10,780,393
23,978,313	24,750,865	26,064,428	27,438,083	29,680,053	23,587,585
22,546,285	22,787,407	23,606,132	24,511,714	25,289,203	19,243,439
9,244,958	9,525,910	10,309,491	10,787,801	11,294,049	8,477,588
39,077,835	45,226,491	55,210,076	58,006,168	56,860,585	43,650,926
25,641,272	27,267,430	29,600,057	32,357,516	34,918,036	25,631,794
10,294,172	10,365,480	10,602,711	10,751,814	11,113,831	7,777,313
44,921,639	46,323,804	48,219,018	49,996,451	51,431,094	35,793,192
16,385,169	16,569,690	17,187,402	17,880,765	18,382,224	13,802,936
2,849,864	2,830,615	3,081,188	4,375,432	7,296,839	5,778,327
49,921,543	51,282,453	54,755,944	59,037,320	62,776,360	50,531,383
145,278,339	150,570,269	165,050,017	177,014,427	184,399,899	143,419,530
$ 456,492,945	**$ 477,347,985**	**$ 520,568,055**	**$ 558,387,249**	**$ 586,839,617**	**$ 451,494,347**
6.25% [3]	6.25%	6.25%	6.25%	6.50% [4]	6.50%

(concluded)

Schedule of Revenue Payers by Income Level/ Industry

For Calendar Years 2005 and 2013

Personal Income Tax Filers and Liability by Income Level [1]

	2005			
	Number of Filers	Percent of Total	Tax Liability [2]	Percent of Total
Under $ 50,000	9,160,419	65.0 %	$ 1,811,403	4.2 %
50,000 to 99,999	3,013,992	21.4	5,500,804	12.8
100,000 to 149,999	1,013,447	7.2	4,920,879	11.4
150,000 to 199,999	379,560	2.7	3,418,150	7.9
200,000 to 299,999	256,536	1.8	3,768,329	8.7
300,000 to 399,999	96,486	0.7	2,322,951	5.4
400,000 to 499,999	46,814	0.3	1,549,207	3.6
500,000 to 599,999	28,099	0.2	1,180,688	2.7
600,000 to 699,999	18,250	0.1	931,649	2.2
700,000 to 799,999	12,602	0.1	754,617	1.7
800,000 to 899,999	8,458	0.1	571,634	1.3
900,000 to 999,999	7,527	0.1	585,496	1.4
1,000,000 to 1,999,999	27,274	0.2	3,169,761	7.4
2,000,000 to 2,999,999	7,434	0.1	1,611,398	3.7
3,000,000 to 3,999,999	3,291	0.0	1,037,541	2.4
4,000,000 to 4,999,999	1,810	0.0	740,608	1.7
$ 5,000,000 and over	5,896	0.0	9,249,210	21.5
Total	**14,087,895**	**100.0 %**	**$ 43,124,325**	**100.0 %**

	2013			
	Number of Filers	Percent of Total	Tax Liability [2]	Percent of Total
Under $ 50,000	9,549,671	61.5 %	$ 1,396,252	2.5 %
50,000 to 99,999	3,265,205	21.1	5,639,339	10.1
100,000 to 149,999	1,296,856	8.4	6,207,337	11.3
150,000 to 199,999	575,201	3.7	5,008,725	9.0
200,000 to 299,999	432,933	2.8	6,240,174	11.3
300,000 to 399,999	151,111	1.0	3,541,194	6.4
400,000 to 499,999	70,980	0.5	2,340,079	4.2
500,000 to 599,999	38,634	0.2	1,635,841	2.9
600,000 to 699,999	24,779	0.2	1,302,480	2.3
700,000 to 799,999	16,995	0.1	1,070,707	1.9
800,000 to 899,999	11,615	0.1	856,683	1.5
900,000 to 999,999	8,610	0.1	720,373	1.3
1,000,000 to 1,999,999	33,152	0.2	4,409,909	7.9
2,000,000 to 2,999,999	8,288	0.1	2,151,781	3.9
3,000,000 to 3,999,999	3,640	0.0	1,395,555	2.5
4,000,000 to 4,999,999	1,968	0.0	1,001,131	1.8
$ 5,000,000 and over	5,745	0.0	10,704,400	19.2
Total	**15,495,383**	**100.0 %**	**$ 55,621,960**	**100.0 %**

Source: California Franchise Tax Board

[1] For California resident tax returns. Calendar year 2013 is the most recent year for which data is available.

[2] Amounts are in thousands.

For Calendar Years 2005 and 2014

Sales Tax Permits and Tax Liability by Industry

	2005 (Using Business Codes) [1]			
	Number of Permits [2]	**Percent of Total**	**Tax Liability [3]**	**Percent of Total**
Retail:				
Apparel	41,596	3.9 %	$ 982,387	3.5 %
General merchandise	16,606	1.6	2,981,326	10.6
Specialty	211,859	20.0	2,749,780	9.8
Food	25,220	2.4	1,109,245	3.9
Restaurant and bars	86,393	8.2	2,436,674	8.6
Household	33,765	3.2	912,907	3.2
Building materials	11,342	1.1	1,897,991	6.7
Automotive	36,720	3.5	5,888,816	20.9
Other	22,528	2.1	770,801	2.7
Business and personal service	104,358	9.9	1,212,273	4.3
All other	467,442	44.1	7,245,283	25.8
Total	**1,057,829**	**100.0 %**	**$ 28,187,483**	**100.0 %**

	2014 (Using NAICS Codes) [1]			
	Number of Permits [2]	**Percent of Total**	**Tax Liability [3]**	**Percent of Total**
Retail and Food Services:				
Motor vehicle and parts dealers	31,278	3.1 %	$ 3,557,424	12.1 %
Furniture and home furnishings stores	16,283	1.6	538,872	1.8
Electronics and appliance stores	21,345	2.1	700,726	2.4
Building materials, garden equipment & supplies	15,551	1.5	1,533,193	5.2
Food and beverage	31,014	3.1	1,250,824	4.3
Health and personal care stores	22,318	2.2	551,043	1.9
Gasoline stations	9,797	1.0	2,837,310	9.7
Clothing and clothing accessories stores	59,174	5.9	1,666,067	5.7
Sporting goods, hobby, book & music stores	23,946	2.4	505,525	1.7
General merchandise stores	14,366	1.4	2,326,557	7.9
Miscellaneous store retailers	108,378	10.8	897,191	3.1
Nonstore retailers	233,431	23.3	375,591	1.3
Food services and drinking places	99,340	9.9	3,284,540	11.2
All other outlets	317,586	31.7	9,322,269	31.7
Total	**1,003,807**	**100.0 %**	**$ 29,347,132**	**100.0 %**

Source: California State Board of Equalization (BOE)

[1] Due to the BOE's conversion from business coding to North American Industry Classification System (NAICS) coding for the reporting of Taxable Sales by Industry, industry level data for 2009 and forward is not comparable to that reported for prior years. The NAICS conversion process for over one million permit holders was not completed until the end of 2008, so 2009 was the first year the BOE used the new format with NAICS codes.

[2] As of July 1.

[3] Calculated by multiplying the taxable sales by industry shown on pages 262 and 263 by the direct sales tax rate. Amounts are in thousands. The 2014 sales tax includes the first three quarters only.

Schedule of Personal Income Tax Rates

For Calendar Years 2005-2014

Married Filing Jointly and Surviving Spouse				
Tax Rate [2]	2005 [1] Income Level	2006 Income Level	2007 Income Level	2008 Income Level
1.0	Up to $12,638	Up to $13,244	Up to $13,654	Up to $14,336
2.0	12,639 – 29,958	13,245 – 31,396	13,655 – 32,370	14,337 – 33,988
4.0	29,959 – 47,282	31,397 – 49,552	32,371 – 51,088	33,989 – 53,642
6.0	47,283 – 65,638	49,553 – 68,788	51,089 – 70,920	53,643 – 74,466
8.0	65,639 – 82,952	68,789 – 86,934	70,921 – 89,628	74,467 – 94,110
9.3	82,953 – 1,000,000	86,935 – 1,000,000	89,629 – 999,999	94,111 – 1,000,000
10.3	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over
11.3	—	—	—	—
12.3	—	—	—	—
13.3	—	—	—	—

Single and Married Filing Separately				
Tax Rate [2]	2005 [1] Income Level	2006 Income Level	2007 Income Level	2008 Income Level
1.0	Up to $6,319	Up to $6,622	Up to $6,827	Up to $7,168
2.0	6,320 – 14,979	6,623 – 15,698	6,828 – 16,185	7,169 – 16,994
4.0	14,980 – 23,641	15,699 – 24,776	16,186 – 25,544	16,995 – 26,821
6.0	23,642 – 32,819	24,777 – 34,394	25,545 – 35,460	26,822 – 37,233
8.0	32,820 – 41,476	34,395 – 43,467	35,461 – 44,814	37,234 – 47,055
9.3	41,477 – 1,000,000	43,468 – 1,000,000	44,815 – 1,000,000	47,056 – 1,000,000
10.3	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over
11.3	—	—	—	—
12.3	—	—	—	—
13.3	—	—	—	—

Head of Household				
Tax Rate [2]	2005 [1] Income Level	2006 Income Level	2007 Income Level	2008 Income Level
1.0	Up to $12,644	Up to $13,251	Up to $13,662	Up to $14,345
2.0	12,645 – 29,959	13,252 – 31,397	13,663 – 32,370	14,346 – 33,989
4.0	29,960 – 38,619	31,398 – 40,473	32,371 – 41,728	33,990 – 43,814
6.0	38,620 – 47,796	40,474 – 50,090	41,729 – 51,643	43,815 – 54,225
8.0	47,797 – 56,456	50,091 – 59,166	51,644 – 61,000	54,226 – 64,050
9.3	56,457 – 1,000,000	59,167 – 1,000,000	61,001 – 1,000,000	64,051 – 1,000,000
10.3	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over
11.3	—	—	—	—
12.3	—	—	—	—
13.3	—	—	—	—

Source: California Franchise Tax Board (FTB)

[1] Beginning in 2005, there is an additional tax of 1% on taxable income over $1 million for the expansion of mental health services.

[2] FTB tax brackets are indexed to the California Consumer Price Index and are adjusted accordingly on a yearly basis.

Average Effective Rate

(amounts in thousands)

	2005	2006	2007	2008
Personal income tax revenue [1]	$ 42,595,352	$ 50,798,418	$ 53,289,524	$ 55,197,062
Adjusted gross income [2]	$ 932,142,017	$ 990,695,484	$ 1,059,967,500	$ 972,420,100
Average effective rate [3]	4.6%	5.1%	5.0%	5.7%

[1] Personal income tax revenue is reported on a fiscal year basis.

[2] Source: California Franchise Tax Board. Fiscal year 2014 information reflects returns processed as of November 2015.

[3] The average effective rate equals personal income tax revenue divided by adjusted gross income.

Married Filing Jointly and Surviving Spouse

2009 Income Level	2010 Income Level	2011 Income Level	2012 Income Level	2013 Income Level	2014 Income Level
Up to $14,120	Up to $14,248	Up to $14,632	Up to $14,910	Up to $15,164	Up to $15,498
14,121 – 33,478	14,249 – 33,780	14,633 – 34,692	14,911 – 35,352	15,165 – 35,952	15,499 – 36,742
33,479 – 52,838	33,781 – 53,314	34,693 – 54,754	35,353 – 55,794	35,953 – 56,742	36,743 – 57,990
52,839 – 73,350	53,315 – 74,010	54,755 – 76,008	55,795 – 77,452	56,743 – 78,768	57,991 – 80,500
73,351 – 92,698	74,011 – 93,532	76,009 – 96,058	77,453 – 97,884	78,769 – 99,548	80,501 – 101,738
92,699 – 1,000,000	93,533 –1,000,000	96,059 – 1,000,000	97,885 – 500,000	99,549 – 508,500	101,739 – 519,688
$1,000,001 and over	$1,000,001 and over	$1,000,001 and over	500,001 – 600,000	508,501 – 610,200	519,689 – 623,624
—	—	—	600,001 – 1,000,000	610,201 – 1,000,000	623,625 – 1,000,000
—	—	—	$1,000,001 and over	1,000,001 – 1,017,000	1,000,001 – 1,039,374
—	—	—	—	$1,017,001 and over	$1,039,375 and over

Single and Married Filing Separately

2009 Income Level	2010 Income Level	2011 Income Level	2012 Income Level	2013 Income Level	2014 Income Level
Up to $7,060	Up to $7,124	Up to $7,316	Up to $7,455	Up to $7,582	Up to $7,749
7,061 – 16,739	7,125 – 16,890	7,317 – 17,346	7,456 – 17,676	7,583 – 17,976	7,750 – 18,371
16,740 – 26,419	16,891 – 26,657	17,347 – 27,377	17,677 – 27,897	17,977 – 28,371	18,372 – 28,995
26,420 – 36,675	26,658 – 37,005	27,378 – 38,004	27,898 – 38,726	28,372 – 39,384	28,996 – 40,250
36,676 – 46,349	37,006 – 46,766	38,005 – 48,029	38,727 – 48,942	39,385 – 49,774	40,251 – 50,869
46,350 – 1,000,000	46,767 – 1,000,000	48,030 –1,000,000	48,943 – 250,000	49,775 – 254,250	50,870 – 259,844
$1,000,001 and over	$1,000,001 and over	$1,000,001 and over	250,001 – 300,000	254,251 – 305,100	259,845 – 311,812
—	—	—	300,001 – 500,000	305,101 – 508,500	311,813 – 519,687
—	—	—	500,001 – 1,000,000	508,501 – 1,000,000	519,688 – 1,000,000
—	—	—	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over

Head of Household

2009 Income Level	2010 Income Level	2011 Income Level	2012 Income Level	2013 Income Level	2014 Income Level
Up to $14,130	Up to $14,257	Up to $14,642	Up to $14,920	Up to $15,174	Up to $15,508
14,131 – 33,479	14,258 – 33,780	14,643 – 34,692	14,921 – 35,351	15,175 – 35,952	15,509 – 36,743
33,480 – 43,157	33,781 – 43,545	34,693 – 44,721	35,352 – 45,571	35,953 – 46,346	36,744 – 47,366
43,158 – 53,412	43,546 – 53,893	44,722 – 55,348	45,572 – 56,400	46,347 – 57,359	46,367 – 58,621
53,413 – 63,089	53,894 – 63,657	55,349 – 65,376	56,401 – 66,618	57,360 – 67,751	58,622 – 69,242
63,090 – 1,000,000	63,658 – 1,000,000	65,377 – 1,000,000	66,619 – 340,000	67,752 – 345,780	69,243 – 353,387
$1,000,001 and over	$1,000,001 and over	$1,000,001 and over	340,001 – 408,000	345,781 – 414,936	353,388 – 424,065
—	—	—	408,001 – 680,000	414,937 – 691,560	424,066 – 706,774
—	—	—	680,001 – 1,000,000	691,561 – 1,000,000	706,775 – 1,000,000
—	—	—	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over

2009	2010	2011	2012	2013	2014
$ 45,482,726	$ 43,884,798	$ 51,691,153	$ 54,442,733	$ 66,220,132	$ 67,584,256
$ 881,160,200	$ 939,888,500	$ 980,167,100	$ 1,087,823,400	$ 1,091,080,300	$ 1,216,002,700
5.2%	4.7%	5.3%	5.0%	6.1%	5.6%

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Debt Capacity

Debt capacity schedules contain information to help the reader understand the State's outstanding debt, the capacity to repay that debt, and the ability to issue additional debt in the future. This section includes the following debt capacity schedules.

Schedule of Ratios of Outstanding Debt by Type

Schedule of Ratios of General Bonded Debt Outstanding

Schedule of General Obligation Bonds Outstanding

Schedule of Pledged Revenue Coverage

Sources: Unless otherwise noted, the information in the following schedules is derived from the State's Comprehensive Annual Financial Reports.

Schedule of Ratios of Outstanding Debt by Type

For the Past Ten Fiscal Years

(amounts in thousands, except per capita)

	2006	2007	2008	2009
Governmental activities				
General obligation bonds [1]	$ 47,003,817	$ 50,269,442	$ 56,424,532	$ 68,653,507
Revenue bonds [2]	7,300,638	8,009,784	7,811,832	7,767,855
Certificates of participation and commercial paper	923,890	1,358,051	1,736,089	1,407,908
Capital lease obligations [3]	4,466,828	4,346,179	4,376,410	4,456,039
Total governmental activities	**59,695,173**	**63,983,456**	**70,348,863**	**82,285,309**
Business-type activities				
General obligation bonds [1, 4]	1,963,305	1,954,220	1,907,243	1,702,377
Revenue bonds [2, 4]	22,812,509	22,934,094	23,003,097	23,053,114
Certificates of participation and commercial paper	231,121	179,782	67,204	51,307
Capital lease obligations	—	—	—	—
Total business-type activities	**25,006,935**	**25,068,096**	**24,977,544**	**24,806,798**
Total primary government	**$ 84,702,108**	**$ 89,051,552**	**$ 95,326,407**	**$ 107,092,107**
Debt as a percentage of personal income [5]	6.1%	5.9%	6.1%	6.7%
Amount of debt per capita [6]	$ 2,364	$ 2,472	$ 2,630	$ 2,926

Note: Details regarding the State's outstanding debt can be found in Notes 10 through 16 of the financial statements.

[1] Prior to fiscal year 2008, net unamortized bond premiums and refunding gains/losses were not included. Beginning in fiscal year 2013, refunding gains/losses are no longer included in bonds payable, but are shown as deferred inflows and deferred outflows of resources.

[2] Prior to fiscal year 2014, the Public Buildings Construction Fund was included in business-type activities.

[3] Prior to fiscal year 2014, governmental activities reported a capital lease obligtion to the Public Buildings Construction Fund. In fiscal year 2014, the fund was reclassified from an enterprise fund to an internal service fund and the governmental activities' obligation and the fund's net investment in direct financing leases were netted against each other within governmental activities.

[4] Amounts for 2014 were restated.

[5] Ratio calculated using personal income data shown on pages 280 and 281 for the prior calendar year.

[6] Amount calculated using population data shown on pages 280 and 281 for the prior calendar year.

2010	2011	2012	2013	2014	2015
$ 77,745,789	$ 79,469,085	$ 81,060,111	$ 82,346,211	$ 83,276,347	$ 80,509,802
7,611,939	7,511,092	7,421,198	7,735,053	18,917,443	18,409,971
1,342,119	1,335,340	46,098	538,593	598,094	493,770
4,967,290	4,882,233	5,176,341	5,319,487	260,088	274,760
91,667,137	**93,197,750**	**93,703,748**	**95,939,344**	**103,051,972**	**99,688,303**
1,477,663	1,218,639	1,118,634	887,053	674,394	650,133
24,538,094	23,290,315	24,790,918	25,558,129	12,991,827	12,670,619
64,518	139,974	67,325	77,560	204,647	237,186
—	791,489	817,687	909,871	1,250,274	1,210,409
26,080,275	**25,440,417**	**26,794,564**	**27,432,613**	**15,121,142**	**14,768,347**
$ 117,747,412	**$ 118,638,167**	**$ 120,498,312**	**$ 123,371,957**	**$ 118,173,114**	**$ 114,456,650**
7.7%	7.5%	7.1%	6.8%	6.4%	5.9%
$ 3,186	$ 3,178	$ 3,196	$ 3,241	$ 3,075	$ 2,950

Schedule of Ratios of General Bonded Debt Outstanding

For the Past Ten Fiscal Years

(amounts in thousands, except per capita)

	2006	2007	2008	2009
Net general bonded debt				
General obligation bonds [1]	$ 39,034,092	$ 43,234,702	$ 47,828,805	$ 61,724,439
Economic Recovery bonds	9,933,030	8,988,960	10,502,970	8,631,445
Less: restricted debt service fund	212,883	792,841	552,326	894
Net Economic Recovery bonds	**9,720,147**	**8,196,119**	**9,950,644**	**8,630,551**
Net general bonded debt	**$ 48,754,239**	**$ 51,430,821**	**$ 57,779,449**	**$ 70,354,990**
Net general bonded debt as a percentage of personal income [2]	3.5%	3.4%	3.7%	4.4%
Amount of net general bonded debt per capita [3]	$ 1,361	$ 1,428	$ 1,594	$ 1,922

Note: Details regarding the State's general bonded debt outstanding can be found in Note 15 of the financial statements.

[1] Prior to fiscal year 2008, net unamortized bond premiums and refunding gains/losses were not included. Beginning in fiscal year 2013, refunding gains/losses are no longer included in bonds payable, but are shown as deferred inflows and deferred outflows of resources.

[2] Ratio calculated using personal income data shown on pages 280 and 281 for the prior calendar year.

[3] Amount calculated using population data shown on pages 280 and 281 for the prior calendar year.

2010	2011	2012	2013	2014	2015
$ 71,284,447	$ 73,516,674	$ 75,791,795	$ 78,001,049	$ 79,368,794	$ 80,215,650
7,939,005	7,171,050	6,386,950	5,232,215	4,581,745	944,285
113,172	143,777	330,297	278,425	318,171	818,321
7,825,833	**7,027,273**	**6,056,653**	**4,953,790**	**4,263,574**	**125,964**
$ 79,110,280	**$ 80,543,947**	**$ 81,848,448**	**$ 82,954,839**	**$ 83,632,368**	**$ 80,341,614**
5.1%	5.1%	4.8%	4.6%	4.5%	4.1%
$ 2,140	$ 2,157	$ 2,171	$ 2,179	$ 2,176	$ 2,071

Schedule of General Obligation Bonds Outstanding

June 30, 2015

(amounts in thousands)

Governmental activity		
California Clean Water, Clean Air, Safe Neighborhood Parks and Coastal Protection	$	2,102,570
California Library Construction and Renovation		276,185
California Park and Recreational Facilities		12,325
California Parklands		2,650
California Safe Drinking Water		55,065
California Stem Cell Research and Cures		1,396,355
California Wildlife, Coastal, and Park Land Conservation		114,210
Children's Hospital		1,299,435
Class Size Reduction Public Education Facilities		5,661,230
Clean Air and Transportation Improvement		787,835
Clean Water		10,045
Clean Water and Water Conservation		4,405
Clean Water and Water Reclamation		20,375
Community Parklands		2,795
County Correctional Facility Capital Expenditure		15,565
County Correctional Facility Capital Expenditure and Youth Facility		71,255
Disaster Preparedness and Flood Prevention		2,231,645
Earthquake Safety and Public Building Rehabilitation		72,495
Economic Recovery		944,285
Fish and Wildlife Habitat Enhancement		5,035
Higher Education Facilities		384,490
Highway Safety, Traffic Reduction, Air Quality, and Port Security		15,413,335
Housing Emergency Shelter		2,084,620
Housing and Homeless		1,470
Kindergarten-University Public Education Facilities		30,842,155
Lake Tahoe Acquisitions		150
New Prison Construction		32,230
Passenger Rail and Clean Air		42,025
Public Education Facilities		1,396,980
Safe, Clean, Reliable Water Supply		545,745
Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection		1,398,450
Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection		2,396,365
Safe Neighborhood Parks		1,468,840
Safe, Reliable High-Speed Passenger Train		808,970
School Building and Earthquake		14,635
School Facilities		1,060,600
Seismic Retrofit		1,155,030
State, Urban, and Coastal Park		3,930
Veterans' Homes		35,205
Veterans Housing and Homeless Prevention		125
Voting Modernization		28,840
Water Conservation		22,870
Water Conservation and Water Quality		31,645
Water Security, Clean Drinking Water, Coastal and Beach Protection		2,694,875
Total governmental activity		**76,949,340**
Business-type activity		
California Water Resources Development		184,960
Veterans Farm and Home Building		466,190
Total business-type activity		**651,150**
Total outstanding general obligation bonds		**77,600,490**
Unamortized bond premiums/discounts		3,559,445
Total general obligation bonds payable	**$**	**81,159,935**

Source: California State Treasurer's Office

Schedule of Pledged Revenue Coverage

For the Past Ten Fiscal Years

(amounts in thousands)

	June 30	Gross Revenue [1]	Operating Expenses [2]	Net Revenue Available for Debt Service	Debt Service Requirements [3] Principal	Interest	Total	Coverage
Housing Loans [7]	2006	$ 127,733	$ 25,654	$ 102,079	$ 25,715	$ 34,949	$ 60,664	1.68
	2007	130,128	19,062	111,066	292,461	33,959	326,420	0.34
	2008	130,139	21,263	108,876	56,225	33,333	89,558	1.22
	2009	109,636	21,838	87,798	22,205	33,699	55,904	1.57
	2010	85,321	16,404	68,917	111,085	34,874	145,959	0.47
	2011	89,224	15,802	73,422	130,770	32,619	163,389	0.45
	2012	84,830	20,322	64,508	88,105	24,914	113,019	0.57
	2013	66,050	18,369	47,681	51,554	16,271	67,825	0.70
	2014	65,247	19,452	45,795	47,620	14,926	62,546	0.73
	2015	57,742	24,413	33,329	12,960	14,095	27,055	1.23
Water Resources	2006	$ 949,691	$ 721,541	$ 228,150	$ 55,461	$ 49,785	$ 105,246	2.17
	2007	951,590	694,060	257,530	70,860	123,376	194,236	1.33
	2008	989,275	773,362	215,913	100,945	114,213	215,158	1.00
	2009	914,837	694,598	220,239	80,347	130,219	210,566	1.04
	2010	1,042,843	837,459	205,384	97,360	124,296	221,656	0.93
	2011	1,096,196	880,540	215,656	108,870	117,668	226,538	0.95
	2012	1,045,812	852,404	193,408	116,150	121,804	237,954	0.81
	2013	1,127,195	822,637	304,558	174,660	145,660	320,320	0.95
	2014	973,508	798,653	174,855	150,911	107,727	258,638	0.68
	2015	1,019,378	607,407	411,971	203,481	200,563	404,044	1.02
Water Pollution Control	2006	$ 64,740	$ 10,615	$ 54,125	$ 22,185	$ 9,812	$ 31,997	1.69
	2007	78,564	3,387	75,177	22,850	9,178	32,028	2.35
	2008	71,404	4,521	66,883	23,585	8,422	32,007	2.09
	2009	59,923	4,416	55,507	22,930	7,747	30,677	1.80
	2010	53,365	9,880	43,485	23,655	6,928	30,583	1.42
	2011	49,585	4,876	44,709	24,390	5,996	30,386	1.47
	2012	50,183	2,849	47,334	24,285	4,984	29,269	1.62
	2013	51,642	1,055	50,587	45,755	533	46,288	1.09
	2014	54,968	1,739	53,229	13,000	355	13,355	3.99
	2015	56,350	1,092	55,258	42,940	293	43,233	1.28

(continued)

Source: California State Controller's Office

[1] Total gross revenue includes non-operating interest revenue. Building authorities' revenue includes operating transfers in. The nature of the revenue pledged for each type of debt is as follows: investment and interest earnings for Housing Loans bonds and Water Pollution Control bonds; charges for services and sales for Water Resources bonds; power sales revenue for Electric Power bonds; rental revenue for Public Buildings Construction bonds, High Technology Education bonds, CSU Channel Island Financing Authority bonds, and building authorities bonds; residence fees for California State University bonds; tobacco settlements and investment earnings for the Golden State Tobacco Securitization Corporation bonds; and federal transportation funds for Grant Anticipation Revenue Vehicles.

[2] Total operating expenses are exclusive of depreciation, interest expense, and amortization (recovery) of long-term prepaid charges. Prior to fiscal year 2012, bond issuance costs were amortized over the term of the bond. Beginning fiscal year 2012, bond issuance costs are operating expenses in the fiscal year incurred.

[3] Debt service requirements include principal and interest of revenue bonds.

[4] All revenue bonds have been redeemed.

[5] In fiscal year 2011, the California State University Fund was reclassified from a governmental fund to an enterprise fund.

[6] Federal transportation funds are the only source of state revenue to pay these bonds, and the state obligation to pay debt service on these bonds is limited to and dependent on receipt of the federal funds.

[7] Principal amounts for prior years 2013 and 2014 have been updated.

Schedule of Pledged Revenue Coverage (continued)

For the Past Ten Fiscal Years

(amounts in thousands)

	June 30	Gross Revenue [1]	Operating Expenses [2]	Net Revenue Available for Debt Service	Debt Service Requirements [3] Principal	Interest	Total	Coverage
Electric Power	2006	$ 5,342,000	$ 4,370,000	$ 972,000	$ 436,000	$ 466,000	$ 902,000	1.08
	2007	5,865,000	4,843,000	1,022,000	447,000	448,000	895,000	1.14
	2008	5,362,000	4,323,000	1,039,000	470,000	447,000	917,000	1.13
	2009	4,560,000	3,604,000	956,000	493,000	399,000	892,000	1.07
	2010	3,908,000	3,007,000	901,000	518,000	373,000	891,000	1.01
	2011	2,317,000	1,427,000	890,000	460,000	344,000	804,000	1.11
	2012	915,000	29,000	886,000	556,000	354,000	910,000	0.97
	2013	488,000	(408,000)	896,000	574,000	341,000	915,000	0.98
	2014	835,000	(46,000)	881,000	611,000	312,000	923,000	0.95
	2015	799,000	(132,000)	931,000	618,000	268,000	886,000	1.05
Public Buildings Construction	2006	$ 384,442	$ 9,832	$ 374,610	$ 332,345	$ 318,098	$ 650,443	0.58
	2007	396,895	3,699	393,196	365,953	324,246	690,199	0.57
	2008	384,816	33,566	351,250	342,582	331,355	673,937	0.52
	2009	366,151	78,489	287,662	360,559	335,248	695,807	0.41
	2010	430,069	120,565	309,504	377,998	367,055	745,053	0.42
	2011	423,775	507	423,268	394,490	383,185	777,675	0.54
	2012	426,960	13,211	413,749	405,585	384,400	789,985	0.52
	2013	616,041	13,479	602,562	554,985	395,073	950,058	0.63
	2014	431,890	14,403	417,487	412,085	439,888	851,973	0.49
	2015	462,703	3,646	459,057	782,975	492,868	1,275,843	0.36
High Technology Education [4]	2006	$ 26,508	$ 2,489	$ 24,019	$ 36,910	$ 19,422	$ 56,332	0.43
	2007	22,966	1,514	21,452	25,624	21,062	46,686	0.46
	2008	20,600	3,511	17,089	22,265	13,344	35,609	0.48
	2009	15,975	3,837	12,138	36,730	11,704	48,434	0.25
	2010	13,015	5,009	8,006	19,665	9,977	29,642	0.27
	2011	10,498	681	9,817	19,995	8,878	28,873	0.34
	2012	8,452	—	8,452	21,105	7,754	28,859	0.29
	2013	5,585	—	5,585	22,275	6,568	28,843	0.19
	2014	424	—	424	24,771	847	25,618	0.02
California State University [5]	2006	$ 512,231	$ 303,261	$ 208,970	$ 109,354	$ 91,876	$ 201,230	1.04
	2007	554,851	689,223	(134,372)	99,598	31,149	130,747	(1.03)
	2008	640,209	511,895	128,314	105,229	115,928	221,157	0.58
	2009	811,454	261,628	549,826	43,572	129,238	172,810	3.18
	2010	599,572	577,765	21,807	47,815	151,988	199,803	0.11
	2011	3,722,414	5,455,059	(1,732,645)	56,344	172,231	228,575	(7.58)
	2012	4,165,118	5,770,880	(1,605,762)	138,535	174,914	313,449	(5.12)
	2013	4,215,258	5,754,800	(1,539,542)	126,395	181,969	308,364	(4.99)
	2014	4,505,589	6,376,502	(1,870,913)	257,964	173,424	431,388	(4.34)
	2015	4,780,280	6,363,534	(1,583,254)	400,412	177,642	578,054	(2.74)

	June 30	Gross Revenue [1]	Operating Expenses [2]	Net Revenue Available for Debt Service	Debt Service Requirements [3] Principal	Interest	Total	Coverage
CSU Channel	2006	$ 8,377	$ 11	$ 8,366	$ —	$ 6,123	$ 6,123	1.37
Islands Financing	2007	7,397	8	7,389	—	6,951	6,951	1.06
Authority [4]	2008	245	13	232	—	556	556	0.42
Building	2006	$ 94,985	$ —	$ 94,985	$ 43,862	$ 81,253	$ 125,115	0.76
Authorities	2007	81,342	68	81,274	45,437	29,228	74,665	1.09
	2008	79,077	68	79,009	47,475	27,260	74,735	1.06
	2009	78,733	68	78,665	48,594	25,028	73,622	1.07
	2010	76,535	—	76,535	50,948	34,058	85,006	0.90
	2011	63,168	—	63,168	51,957	20,071	72,028	0.88
	2012	57,386	—	57,386	36,473	22,889	59,362	0.97
	2013	53,441	—	53,441	38,400	18,390	56,790	0.94
	2014	53,157	—	53,157	39,895	29,882	69,777	0.76
	2015	54,090	—	54,090	38,800	19,701	58,501	0.92
Golden State	2006	$ 396,987	$ —	$ 396,987	$ 61,320	$ 307,824	$ 369,144	1.08
Tobacco	2007	413,246	—	413,246	133,555	276,965	410,520	1.01
Securitization	2008	445,097	—	445,097	129,120	326,631	455,751	0.98
Corporation	2009	493,448	—	493,448	116,960	320,679	437,639	1.12
	2010	393,487	—	393,487	138,260	316,038	454,298	0.87
	2011	361,974	—	361,974	60,230	315,268	375,498	0.96
	2012	368,853	—	368,853	65,765	312,815	378,580	0.97
	2013	555,392	—	555,392	623,510	308,056	931,566	0.60
	2014	355,918	—	355,918	50,910	325,884	376,794	0.94
	2015	414,992	—	414,992	133,900	292,173	426,073	0.97
Grant Anticipation	2006	$ 72,338	$ —	$ 72,338	$ 47,845	$ 24,493	$ 72,338	1.00
Revenue Vehicles [6]	2007	72,149	—	72,149	49,190	22,959	72,149	1.00
	2008	71,945	—	71,945	50,985	20,960	71,945	1.00
	2009	77,193	—	77,193	55,275	21,918	77,193	1.00
	2010	83,272	—	83,272	62,335	20,937	83,272	1.00
	2011	84,294	—	84,294	64,785	19,509	84,294	1.00
	2012	84,290	—	84,290	67,730	16,560	84,290	1.00
	2013	84,296	—	84,296	70,990	13,306	84,296	1.00
	2014	84,289	—	84,289	74,400	9,889	84,289	1.00
	2015	84,289	—	84,289	78,090	6,199	84,289	1.00

(concluded)

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Demographic and Economic Information

The ***demographic and economic*** schedules contain trend information to help the reader understand the environment in which the State's financial activities occur. This section includes the following demographic and economic schedules.

Schedule of Demographic and Economic Indicators

Schedule of Employment by Industry

Schedule of Demographic and Economic Indicators

For the Past Ten Calendar Years

	2005	2006	2007	2008
Population (in thousands)				
California	35,828	36,021	36,250	36,604
% Change	0.7%	0.5%	0.6%	1.0%
United States	295,517	298,380	301,231	304,094
% Change	0.9%	1.0%	1.0%	1.0%
Total personal income (in millions)				
California	$ 1,398,953	$ 1,501,831	$ 1,565,343	$ 1,602,749
% Change	5.7%	7.4%	4.2%	2.4%
United States	$ 10,610,320	$ 11,381,350	$ 11,995,419	$ 12,492,705
% Change	5.5%	7.3%	5.4%	4.1%
Per capita personal income				
California [1]	$ 39,046	$ 41,693	$ 43,182	$ 43,786
% Change	5.1%	6.8%	3.6%	1.4%
United States [1]	$ 35,904	$ 38,144	$ 39,821	$ 41,082
% Change	4.6%	6.2%	4.4%	3.2%
Labor force and employment (in thousands)				
California				
Civilian labor force	17,545	17,687	17,921	18,203
Employed	16,592	16,821	16,961	16,890
Unemployed	953	865	960	1,313
Unemployment rate	5.4%	4.9%	5.4%	7.2%
United States employment rate	5.1%	4.6%	4.6%	5.8%

Source: Economic Research Unit, California Department of Finance; Bureau of Economic Analysis, United States Department of Commerce; Labor Market Information Division, California Employment Development Department; Bureau of Labor Statistics, United States Department of Labor.

[1] Calculated by dividing total personal income by population.

2009	2010	2011	2012	2013	2014
36,961	37,336	37,702	38,063	38,431	38,803
1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
306,772	309,347	311,722	314,112	316,498	318,857
0.9%	0.8%	0.8%	0.8%	0.8%	0.7%
$ 1,537,136	$ 1,583,447	$ 1,691,003	$ 1,812,315	$ 1,849,505	$ 1,939,528
-4.1%	3.0%	6.8%	7.2%	2.1%	4.9%
$ 12,079,444	$ 12,459,613	$ 13,233,436	$ 13,904,485	$ 14,064,468	$ 14,683,147
-3.3%	3.1%	6.2%	5.1%	1.2%	4.4%
$ 41,588	$ 42,411	$ 44,852	$ 47,614	$ 48,125	$ 49,984
-5.0%	2.0%	5.8%	6.2%	1.1%	3.9%
$ 39,376	$ 40,277	$ 42,453	$ 44,266	$ 44,438	$ 46,049
-4.2%	2.3%	5.4%	4.3%	0.4%	3.6%
18,208	18,316	18,385	18,511	18,573	18,941
16,145	16,052	16,227	16,740	17,044	17,600
2,064	2,265	2,158	1,771	1,530	1,341
11.3%	12.4%	11.7%	9.6%	8.2%	7.1%
9.3%	9.6%	8.9%	8.1%	7.4%	6.2%

Schedule of Employment by Industry

For Calendar Years 2005 and 2014

	2005		2014	
Industry	**Employees**	**Percent of Total State Employment**	**Employees**	**Percent of Total State Employment**
Services	5,945,000	38.5 %	7,144,600	44.4 %
Government				
Federal	195,800	1.3	183,900	1.1
Military	54,600	0.4	58,400	0.4
State and Local	2,169,700	14.1	2,168,800	13.4
Retail trade	1,659,300	10.8	1,633,800	10.2
Manufacturing	1,505,200	9.8	1,269,600	7.9
Information, finance, and insurance	1,110,200	7.2	976,300	6.1
Construction and utilities	961,000	6.2	733,500	4.6
Wholesale trade	673,600	4.4	715,100	4.5
Transportation and warehousing	431,400	2.8	464,100	2.9
Farming	378,200	2.5	417,200	2.6
Real estate	283,600	1.8	265,900	1.7
Natural resources and mining	23,600	0.2	31,300	0.2
Total	**15,391,200**	**100.0 %**	**16,062,500**	**100.0 %**

Source: Labor Market Information Division, California Employment Development Department

Operating Information

The ***operating information*** schedules assist the reader in evaluating the size, efficiency, and effectiveness of the State's government. This section includes the following operating information schedules.

Schedule of Full-time Equivalent State Employees by Function

Schedule of Operating Indicators by Function

Schedule of Capital Asset Statistics by Function

Schedule of Full-time Equivalent State Employees by Function

For the Past Ten Fiscal Years

Fiscal Year	General Government	Education	Health and Human Services	Resources	State and Consumer Services	Business, Transportation, and Housing	Correctional Programs	Total
2006	20,336	121,973	49,569	19,076	15,126	41,342	50,171	317,593
2007	21,035	134,974	49,533	19,677	15,530	41,314	53,321	335,384
2008	21,825	134,832	49,330	20,868	15,840	42,139	58,284	343,118
2009	22,347	135,720	50,996	21,985	16,350	42,254	60,957	350,609
2010	30,390	133,642	43,663	22,223	15,868	40,590	59,401	345,777
2011	32,535	138,017	48,638	23,611	17,043	44,844	67,272	371,960

Fiscal Year	General [1] Government	Education	Health and Human Services	Resources	Business, [1] Consumer Services, and Housing	Transportation [1]	Correctional Programs	Total
2012	44,673	131,039	46,431	24,199	6,236	41,758	62,472	356,808
2013	43,241	132,492	43,431	23,796	5,395	39,222	58,742	346,319
2014	43,858	136,244	44,343	24,156	5,409	39,015	60,871	353,896
2015	45,381	139,957	44,654	24,959	5,552	39,636	60,897	361,036

Source: Annual Governor's Budget Summary, California Department of Finance

Note: The number of full-time equivalent employees is calculated by counting each person who works full time as one full-time equivalent and those who work part time as fractional equivalents based on time worked.

[1] Effective July 1, 2013, under the Governor's 2012 Reorganization Plan No. 2, a significant reorganization took place that impacted previously reported functions. The Government Operations Agency, including but not limited to Franchise Tax Board, Department of General Services, and the Public Employees' Retirement System, was created and added to the General Government function. Also, the business and housing components under the previously reported Business, Transportation, and Housing function merged with the State and Consumer Services function and the remaining transportation components now comprise the Transportation Agency. Information reported under the new functions are not comparable to that of prior years.

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Schedule of Operating Indicators by Function

For the Past Ten Fiscal Years

	2006	2007	2008	2009
General Government				
State Lottery				
Total revenue [1]	$ 3,585	$ 3,318	$ 3,050	$ 2,955
Allocation to Education Fund [1]	$ 1,259	$ 1,177	$ 1,069	$ 1,028
Judicial Council of California				
Supreme Court [2, 10]				
Cases filed	9,465	9,198	10,752	9,486
Cases disposed	9,965	9,324	10,593	9,689
Courts of Appeal				
Notices of appeal filed [3, 10]				
Civil	6,018	6,116	5,913	5,958
Criminal	6,516	6,508	6,681	6,819
Juvenile	2,715	2,880	2,900	2,858
Trial Courts				
Total civil cases [4, 10]				
Filings	1,418,722	1,462,820	1,582,092	1,729,648
Dispositions	1,267,534	1,286,736	1,280,184	1,537,243
Department of Food and Agriculture				
Milk production (million lbs.) [5, 10]	38,830	40,683	41,203	39,512
Farm land (thousand acres) [5, 10]	25,700	25,400	25,400	25,500
Education				
Public Colleges and Universities				
Fall enrollment [10]				
Community Colleges [10]	1,644,103	1,723,782	1,823,731	1,822,838
California State University	417,156	433,017	437,008	433,054
University of California [10]	214,298	220,034	226,040	231,853
K-12 Schools				
Fall enrollment				
Public	6,312,103	6,286,943	6,275,469	6,252,011
Private	594,597	583,794	564,734	536,393

Source: California State Lottery; Judicial Council of California; U.S. Department of Agriculture, National Agricultural Statistics Service; California Departments of the California Highway Patrol, Finance, Fish and Wildlife, Education, Public Health, Motor Vehicles, Transportation, and Corrections and Rehabilitation; Employment Development Department; California Energy Commission; and Franchise Tax Board.

[1] Dollars in millions.

[2] Includes death penalty cases, habeas related to automatic appeals, petitions for review, original proceedings, and State Bar matters.

[3] Includes only one notice of appeal per case.

[4] Includes personal injury, property damage, wrongful death, small claims, family law, probate, and other cases.

[5] Data based on calendar year.

[6] Total nonfarm and farm.

[7] Items reported by license year as of November 2015.

[8] Data compiled from a 10% sample of California licensed drivers.

[9] A center-line mile is measured by the yellow dividing strip that runs down the middle of the road, regardless of the number of lanes on each side.

[10] Some prior years were updated based on more current information.

[11] Projected

N/A=Not available

2010	2011	2012	2013	2014	2015
$ 3,041	$ 3,439	$ 4,371	$ 4,446	$ 5,035	$ 5,525
$ 1,072	$ 1,103	$ 1,300	$ 1,262	$ 1,328	$ 1,364
9,759	10,328	9,232	8,027	7,907	N/A
9,537	10,200	9,724	8,493	7,745	N/A
6,122	6,258	6,505	6,052	5,983	N/A
6,857	6,877	6,387	6,004	6,373	N/A
2,759	2,106	2,830	2,713	2,857	N/A
1,647,817	1,574,569	1,454,810	1,355,345	1,260,999	N/A
1,530,502	1,599,388	1,432,231	1,321,710	1,214,658	N/A
40,385	41,462	41,801	41,256	42,337	N/A
25,500	25,600	25,600	25,500	25,500	N/A
1,747,235	1,655,077	1,582,281	1,582,457	1,577,539	N/A
412,372	426,534	436,560	446,530	460,200	N/A
234,464	236,691	238,686	244,126	N/A	N/A
6,190,425	6,217,002	6,220,993	6,226,989	6,236,672	6,235,520
531,111	515,143	497,019	516,119	511,286	503,295

(continued)

Schedule of Operating Indicators by Function (continued)

For the Past Ten Fiscal Years

	2006	2007	2008	2009
Health and Human Services				
Department of Public Health				
Vital statistics				
Live births [5,10]	562,157	566,137	551,567	526,774
Department of Social Services				
Total Food Stamp households (avg. per month)	809,782	823,335	892,992	1,067,358
Employment Development Department				
Number of employed [5, 6, 10]	15,613,300	15,691,100	15,142,000	14,326,300
Resources				
Department of Fish and Wildlife				
Sport fishing licenses sold [7, 10]	2,924,325	3,003,783	2,857,236	2,838,776
Hunting licenses sold [7, 10]	1,655,760	1,718,657	1,670,190	1,679,864
California Energy Commission				
Electrical energy generation				
plus net imports (gigawatt hours) [10]	298,310	304,900	307,448	298,502
State and Consumer Services				
Franchise Tax Board				
Personal Income Tax [5, 10]				
Number of tax returns filed	14,382,677	15,016,273	14,806,335	14,638,204
Taxable income [1]	$ 812,008	$ 872,869	$ 799,490	$ 729,658
Total tax liability [1]	$ 45,716	$ 49,693	$ 41,676	$ 38,870
Corporation Tax [5]				
Number of tax returns filed	684,363	709,937	722,358	727,675
Income reported for taxation [1]	$ 140,325	$ 121,843	$ 67,921	$ 55,367
Total tax liability [1]	$ 9,992	$ 9,414	$ 9,106	$ 7,858
Business and Transportation				
Department of Motor Vehicles				
Motor vehicle registration [5]	33,882,029	32,047,124	31,920,649	31,799,398
License issued by age [5, 8]				
Under age 18	268,199	262,415	244,481	229,545
Between 18-80	22,450,786	22,804,927	22,922,361	22,910,011
Over age 80	518,102	562,518	552,150	560,491
California Highway Patrol				
Total number of DUI arrests [5]	94,251	92,270	97,019	95,135
Department of Transportation				
Highway center-line miles – rural [5, 9]	10,821	10,830	10,811	10,808
Highway center-line miles – urban [5, 9]	4,422	4,439	4,393	4,384
Correctional Programs				
Department of Corrections and Rehabilitation				
Division of Adult Institutions				
Institution population at December 31 each year	171,310	170,452	170,283	167,922
Division of Juvenile Justice				
Institution population at June 30 each year	2,962	2,531	1,877	1,589

2010	2011	2012	2013	2014	2015
509,974	502,023	503,788	494,390	500,748 [11]	504,304 [11]
1,340,857	1,576,042	1,757,387	1,898,283	2,004,016	2,102,031
14,476,400	14,614,600	15,240,400	16,109,200	16,062,300	N/A
2,410,008	2,483,680	2,580,762	2,539,244	2,490,383	2,456,997
1,677,864	1,863,202	1,988,755	2,032,788	1,979,796	1,787,885
291,141	293,761	302,239	296,203	296,843	N/A
14,814,427	15,042,359	15,152,800	15,487,100	15,877,000	N/A
$ 794,758	$ 838,347	$ 948,523	$ 949,655	$ 1,064,347	N/A
$ 44,472	$ 43,921	$ 58,652	$ 55,679	$ 66,583	N/A
738,224	754,315	784,086	801,045	N/A	N/A
$ 96,965	$ 93,456	$ 96,772	$ 101,913	N/A	N/A
$ 8,604	$ 7,808	$ 6,921	$ 7,166	N/A	N/A
31,987,821	31,802,483	31,946,422	32,903,847	33,550,486	N/A
218,997	227,069	224,809	221,385	223,024	N/A
23,001,119	23,150,222	23,462,971	23,824,697	24,195,705	N/A
579,397	579,207	602,508	597,350	595,739	N/A
89,814	86,901	79,993	76,860	73,425	59,849
10,785	10,780	10,784	10,315	10,312	N/A
4,375	4,353	4,363	4,789	4,787	N/A
162,200	147,181	132,768	134,333	134,431	127,815
1,474	1,263	922	712	675	659

(concluded)

Schedule of Capital Asset Statistics by Function

For the Past Ten Fiscal Years

	2006	2007	2008	2009
General Government				
Department of Food and Agriculture				
Vehicles and mobile equipment [1]	907	915	818	803
Square footage of structures (in thousands)	453	453	453	466
Department of Justice				
Vehicles and mobile equipment	968	966	826	870
Department of Military				
Vehicles and mobile equipment	210	182	206	182
Square footage of structures (in thousands)	3,388	3,388	3,387	3,383
Department of Veterans Affairs				
Veterans homes	3	3	3	5
Vehicles and mobile equipment	111	248	251	120
Square footage of structures (in thousands)	1,598	1,598	1,598	1,683
Education				
California State University				
Vehicles and mobile equipment [1]	601	3,343	3,994	4,015
Campuses	23	23	23	23
Square footage of structures (in thousands)	59,921	62,198	63,971	66,686
Health and Human Services				
Department of Developmental Services				
Vehicles and mobile equipment	655	829	839	701
Developmental centers	7	7	7	7
Square footage of structures (in thousands)	5,181	5,181	5,186	5,187
Department of State Hospitals [2]				
Vehicles and mobile equipment	655	629	638	658
State hospitals	5	5	5	5
Square footage of structures (in thousands)	4,673	6,359	6,364	6,348

Sources: California Department of General Services (DGS)

[1] For fiscal year 2008, DGS was not able to obtain complete data from the agency.

[2] In fiscal year 2012, portions of the Department of Mental Health became the Department of State Hospitals.

[3] In fiscal year 2008, California Highway Patrol purchased numerous vehicles, and in their physical count also included motorcycles, which had not been reported for previous years.

2010	2011	2012	2013	2014	2015
746	809	804	792	747	747
466	466	466	455	455	455
816	677	531	527	520	520
208	249	233	211	211	211
3,154	3,530	3,511	3,623	4,019	3,977
6	6	6	8	8	8
113	132	143	267	285	285
1,600	2,086	2,086	2,488	2,543	2,541
4,338	4,415	4,415	4,466	4,619	4,619
23	23	23	23	23	23
69,049	71,287	73,785	73,866	73,316	73,988
569	818	789	632	424	571
5	5	5	4	4	3
5,185	5,294	5,294	5,279	5,308	4,699
665	709	718	699	886	752
5	5	5	7	7	7
6,331	6,331	6,336	6,457	6,460	6,445

(continued)

Schedule of Capital Asset Statistics by Function (continued)

For the Past Ten Fiscal Years

	2006	2007	2008	2009
Resources				
Department of Fish and Wildlife				
Vehicles and mobile equipment	3,182	3,311	2,868	3,640
Square footage of structures (in thousands)	1,112	1,120	1,192	1,269
Department of Forestry and Fire				
Vehicles and mobile equipment	2,572	2,945	3,043	3,067
Square footage of structures (in thousands)	3,885	3,883	3,869	3,851
Department of Parks and Recreation				
Vehicles and mobile equipment	2,742	2,988	3,023	3,220
State Parks	278	276	279	278
Acres of state park land (in thousands)	1,552	1,235	1,248	1,331
Square footage of structures (in thousands)	6,350	6,350	6,350	6,350
State Lands Commission				
Vehicles and mobile equipment	49	51	49	57
Acres of land (in thousands)	4,496	4,492	4,491	4,491
State and Consumer Services				
Department of Consumer Affairs				
Vehicles and mobile equipment	1,050	640	726	718
Department of General Services				
Vehicles and mobile equipment	6,894	7,330	7,558	6,736
Square footage of structures (in thousands)	17,350	18,084	18,084	18,084
Business and Transportation				
California Highway Patrol				
Vehicles and mobile equipment [3]	4,105	4,655	5,228	5,914
Square footage of structures (in thousands)	1,087	1,110	1,118	1,118
Department of Motor Vehicles				
Vehicles and mobile equipment	373	458	434	417
Square footage of structures (in thousands)	1,827	1,866	1,848	1,855
Department of Transportation				
Vehicles and mobile equipment	11,048	11,130	11,098	13,346
Square footage of structures (in thousands)	6,632	6,618	6,229	6,434
Correctional Programs				
Department of Corrections and Rehabilitation				
Vehicles and mobile equipment [1]	6,451	6,657	7,908	7,778
Prisons and juvenile facilities	32	41	41	39
Square footage of structures (in thousands)	40,622	40,777	40,831	40,852

2010	2011	2012	2013	2014	2015
2,630	3,180	3,012	2,896	2,954	2,954
1,301	1,313	1,317	1,317	1,311	1,311
2,598	2,804	2,810	2,845	2,748	2,748
3,947	3,943	3,935	3,641	3,632	3,664
3,102	3,715	4,200	3,311	3,489	3,489
278	279	280	280	279	280
1,365	1,334	1,333	1,590	1,590	1,605
6,350	6,433	6,623	6,598	6,751	6,761
47	50	42	42	41	41
4,491	4,491	4,491	4,489	4,489	4,482
574	578	574	518	554	554
5,761	5,670	4,991	5,226	5,053	5,053
18,394	18,602	19,180	19,098	19,367	19,448
5,422	5,337	5,013	5,341	5,170	5,170
1,135	1,135	1,149	1,149	1,166	1,169
366	366	366	294	295	295
1,855	1,842	1,842	1,842	1,845	1,786
11,302	12,759	12,690	11,767	11,596	11,596
6,444	6,519	8,131	8,170	7,960	7,965
5,787	5,985	5,952	5,156	5,137	5,968
39	39	39	37	37	39
41,228	41,399	41,399	40,606	40,726	40,590

(concluded)

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